Austria	[illegible]	Indonesia	[illegible]	Philippines	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Portugal	[illegible]
Belgium	[illegible]	Israel	[illegible]	Qatar	[illegible]
Cyprus	[illegible]	Italy	L2000	S.Arabia	[illegible]
Denmark	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Sweden	[illegible]
France	[illegible]	Lux	[illegible]	Switz	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Thailand	[illegible]
Greece	[illegible]	Morocco	[illegible]	Tunisia	[illegible]
Hong Kong	[illegible]	Neth	[illegible]	Turkey	[illegible]
Hungary	[illegible]	Nigeria	[illegible]	UAE	[illegible]
Iceland	[illegible]	Norway	[illegible]		
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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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FT No. 31,114

Monday April 2 1990

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ARGENTINA
Stepping back from the economic abyss
Page 18

Extremists accused of leading tax riot in London

By Alison Smith, Emma Tucker and Jimmy Burns in London

POLITICIANS of all major parties yesterday condemned the violence during the poll tax demonstration in central London on Saturday, blaming a minority of extremists for the fighting and looting.

The police said yesterday that the demonstration against the controversial new community charge turned into a riot *when extremists tried to march* on the official residence of Mrs Margaret Thatcher, the British Prime Minister.

More than 180 people were injured and 340 arrested during the violence, the worst in central London for decades. Mr David Waddington, the Home Secretary, will make a statement to the House of Commons today announcing an inquiry into the disturbances.

Violence flared again yesterday as Mr Waddington visited the area. A police sergeant suffered a broken jaw and two other people were hurt when scuffles broke out. Four people were arrested.

Scotland Yard has asked its Central London Area Major Investigation Pool to dissect all the evidence about Saturday's *events and to establish to what* extent the six hours of mayhem in London's West End were planned and by whom.

The organisers of Saturday's anti-poll tax demonstration, which deteriorated into a riot, the All Britain Anti-Poll Tax Federation, announced that it would be conducting its own inquiry to identify the rioters.

Mr Tommy Sheridan, the federation's chairman, said yesterday that any rioters identified as members of the the federation would be expelled.

Mr Sheridan said: "If any of those who climbed the scaffolding in Trafalgar Square and threw blocks of concrete, metal and fire extinguishers into the crowd are identified, we will have no qualms about informing the police."

Meanwhile as Tories blamed extreme left-wing groups for the violence and called on Mr Neil Kinnock, the opposition Labour Party leader, to take action against 30 MPs who support the campaign not to pay the poll tax, Labour denounced

Continued on Page 18

At the gates of Downing Street; Page 10.
Limiting the damage of the poll tax; Page 17


Wreckage strewn across London's streets following Saturday's riots

W Germany likely to exchange East Marks at 2 to 1

By David Goodhart and David Marsh in Bonn, David Buchan in Ashford Castle, near Galway, and agencies

THE West German Government is likely tomorrow to endorse a Bundesbank recommendation to exchange East German Marks into D-Marks at a rate of two to one rather than the expected one to one.

The central bank's recommendation on future German monetary union received the backing of Mr Theo Waigel, Finance Minister, and thus implicitly of West German Chancellor Helmut Kohl.

But it was greeted in East Germany with accusations of broken promises and it could take some of the momentum out of Mr Kohl's political ascendancy.

The recommendation is that only 2,000 marks from savings accounts should be exchanged at one to one and everything else at two to one.

Mr Waigel's advisers argue that a one-to-one exchange rate for East Germany's corporate and national debt would create enormous extra costs of debt service and that one to one for wages would render the country even more uncompetitive.

Mr Waigel and Mr Karl Otto Pöhl, the Bundesbank president, briefed finance ministers and central bank governors of West Germany's EC partners at an informal weekend meeting at Ashford Castle, near Galway, in the Republic of Ireland.

Mr Pöhl said he expected the money markets to react favourably to the plan, which he claimed would "put some realism" into the debate about German economic and monetary union. A two-to-one conversion rate would give "a minimum of competitive opportunity" to East German companies, which he said could no longer expect to be subsidised with "money from heaven."

East German Christian Democrat general secretary Mr Martin Kirchner said: "I personally consider such a method to be unreasonable and intolerable for East German citizens."

He said the CDU wanted to see salaries and pensions exchanged at a rate of one to one because earnings were 40 per cent lower than in the West. "I cannot allow this to be halved again," he said.

Mr Markus Meckel, deputy leader of the East German Social Democrats (SPD), said: "This is a crushing blow. It is a breach of an election promise. Economically, it would be a catastrophe," he said.

The official ADN news agency labelled the plan "Bonn's reckless game of confusion."

At the weekend meeting, the Bundesbank president disclosed that East Germany had originally asked for the best of both worlds – a two-to-one conversion of debts to the East German state, but a one-to-one exchange for savings and wages. This, said Mr Pöhl, would have left West Germany with a DM50bn-DM100bn ($29bn-$58bn) gap to cover. As it was, giving East Germans a one-to-one rate on the first 2,000 marks in their savings accounts would potentially cost West Germany around DM32bn.

In Bonn, Mr Otto Graf Lambsdorff, leader of the West German Government's junior coalition partner, the Free Democrats, said that abandoning a one-to-one exchange rate for savings was unacceptable, and would amount to a broken promise. However, the Mr Helmut Haussmann, the Economics Minister and fellow Free Democrat, welcomed the recommendation.

Mr Kohl confirmed last week that East German wages and pensions would be converted into D-Marks at a less generous rate than the one-to-one rate.

At the weekend Mr Kohl defended himself against accusations of electoral cynicism and broken promises by saying he had only ever promised "a sensible" exchange rate.

Mr Kohl never promised a general one-to-one exchange rate but he did say that he had "sympathy" for the general one-to-one rate proposed by the East German Christian Democrats.

Kohl states conditions of monetary union

By David Marsh

A FUTURE European central bank needs to be geared unambiguously towards the priori*ties of monetary stability and* complete independence from governments, according to Chancellor Helmut Kohl of West Germany.

Mr Kohl coupled his firmest statement to date on the conditions for European monetary union with a plea for further steps towards European political unity as a means of "binding in" a reunified Germany.

In an interview with the FT, Mr Kohl proposed that the powers of the European Parliament should be increased as national responsibilities were handed over progressively to the European Commission.

The Chancellor gave an optimistic assessment of a prospective "investment boom" in East Germany.

He said he believed elections for a united German parliament would take place in the second half of next year.

On the European issues, Mr Kohl affirmed: "The aim of the Treaty of Rome is not the single market – that is just a step. The objective of the Treaty of Rome is political union."

He said: "German unity and European unity have to be two sides of the same coin. That's why whoever is afraid of the so-called Fourth Reich, the 'German steamroller' should also say that we should establish a form of European network to bind the Germans in."

Interview, Page 4; Finance ministers meeting, Page 18

Show of armour in Lithuania backs Gorbachev

By Mark Nicholson in Moscow

SOVIET armoured vehicles *yesterday passed through the* centre of Vilnius, the Lithuanian capital, backing up a tough weekend warning by Soviet President Mikhail Gorbachev that the republic would face "grave consequences" if it did not recant its independence.

Up to 30 troop carriers disembarked from the city's railway station and rolled through Vilnius at lunchtime to a nearby base. Lithuanian officials claimed further military preparations, including the installation of two helicopter pads, were being made at Vilnius airport.

Western correspondents also reported that additional troops and up to 30 more military vehicles arrived in Vilnius earlier on Sunday to reinforce the local garrison.

Yesterday's show of armour seemed calculated to raise the stakes further in Moscow's tense stand-off with Lithuania. The open movement of troop carriers through crowds of Sunday strollers was in sharp contrast to a show of armour on March 25 when up to 100 troop carriers rumbled through the city at 3am witnessed only by television crews and the late-sitting parliament.

Mr Gorbachev's weekend address to the people and leaders of Lithuania, carried on television and in the press, stressed that talks could open only "within the framework of the Soviet constitution" and only if "Lithuania annulled its *declaration of independence.*"

Although these are Mr Gorbachev's strongest words to date on the Lithuanian question, he has repeatedly insisted that force would not be used.

Mr Vytautas Landsbergis, the Lithuanian leader, yesterday called an emergency meeting of the parliament's presidium to discuss the intensification of pressure from Moscow, denouncing Mr Gorbachev's strongly worded warning as "harsh and vindictive."

However, the Lithuanian President will today send at least three deputies, headed by Mr Romualdas Ozolas, the Deputy Prime Minister, to Moscow in a fresh attempt to open talks with Mr Gorbachev. A similar deputation returned from Moscow earlier last week having failed to create openings at any level with the Soviet authorities.

However, the Lithuanian deputation will arrive in Moscow firmly opposed to any such recantation. "It cannot be now demanded that we annul everything that we bore in our hearts," Mr Landsbergis said yesterday.

A spokesman for the Lithuanian parliament denied reports yesterday that Lithuania might be prepared to rewrite its declaration of independence to make it somehow palatable to the Soviet leader.

The official added, however, that there "could be room for

Continued on Page 18

Scandinavians to detail £409m bid for British property group

By John Burton in Stockholm and John Thornhill in London

SPP, Scandinavia's largest insurance group, is today expected to announce the terms of an agreed £409m ($691m) bid for London & Edinburgh Trust, the British property group.

Barring last-minute hitches, SPP will reveal an offer worth 220p a share, representing a substantial premium to LET's share price of 175p at Friday's close. Last month, LET anounced that it was in bid talks which prompted a sharp rise in its share price.

The Beckwith brothers, John and Peter, who founded LET in 1971, own 20.5 per cent of the company's equity and stand to gain more than £40m each from the deal.

The move by SPP may represent part of a trend among Swedish insurance companies to invest in foreign property following the abolition on July 1 last year of foreign exchange controls that previously prevented them from doing so.

Swedish insurance companies have complained that there are few suitable properties left in Sweden for investment purposes because the market is overvalued. The opposite conditions exist, they believe, in European cities such as London, Brussels, Amsterdam, Lisbon and Madrid, where Swedes are investing heavily.

"The Swedish property market has been, and is, overheated, while the overseas market is big with possibilities that can't be found in Sweden," said Mr Krister Hertzen, SPP's managing director.

LET is a property development company with half its assets overseas, although it also has some interests in financial services.

SPP's bid will almost equal the £420m purchase in December of property in London, Madrid and Lisbon by Skandia, Sweden's largest private insurance company, from the international division of Reinhold, a Swedish property firm.

It was Sweden's largest foreign property purchase to date.

The London property involved in the deal included the Sheraton Skyline Hotel at Heathrow, Bible House in Queen Victoria Street and the Transatlantic Building in Trafalgar Square.

SPP is the collective pension fund and insurance group for Sweden's 1m private sector white-collar workers. It is jointly operated and owned by member companies and employees.

SPP was established at the beginning of the century on the initiative of management and salaried workers to provide insurance protection exceeding that offered by the state.

SPP has kept a low profile as a property investor until recently, with only 8 per cent of its portfolio in real estate at the end of 1989.

World News

Mandela and de Klerk to hold informal meeting

Nelson Mandela, deputy president of the African National Congress (ANC), said he would hold an informal meeting later this week with F.W. de Klerk, the South African President, suggesting that formal talks between the two sides might not be seriously delayed.

On Saturday, the ANC announced it was postponing the first ever formal negotiations with Pretoria, due to have begun on April 11, because of police brutality towards black demonstrators. Page 18; Tortuous path to negotiating table, Page 17

Prisoners riot in UK

Prisoners are thought to have died and 39 people were injured in riots at the Strangeways prison in Manchester, in northern England. Parts of the prison were last night burning out of control.

Romanians mobilise

The Romanian army used armoured personnel carriers to protect Government headquarters in Bucharest's Piata Victoriei as 3,000 protesters chanted anti-government slogans. Page 4

Tiananmen closed

China cordoned off most of Tiananmen Square, the centre of a pro-democracy campaign crushed by the army last June, in the latest sign of tightened security ahead of key anniversaries of unrest. Page 2

Mugabe wins poll

Robert Mugabe, Zimbabwe's leader since independence in 1980, was officially declared the winner of last week's presidential election. Page 2, Editorial comment, Page 16

Le Pen's tough line

Jean-Marie Le Pen backed calls by mainstream conservatives for tougher immigration laws as proof that his extremist National Front party has seized the leadership of the French right. Page 6

Blast rocks Sydney

A series of explosions rocked a liquid petroleum gas complex, closing Sydney's international airport and forcing a mass evacuation.

Soviet price rises

Three radical alternative versions of price reform in the Soviet Union have been unveiled by the top government official responsible, all of which would mean a sharp rise in overall price levels. Page 6

Baker hits Contras

James Baker, US Secretary of State, disowned the Reagan Administration's covert war against the Sandinista government in Nicaragua. Page 3

Wine contaminated

Shipments of French wine to the US have been blocked for the past two weeks because US health authorities have discovered an unauthorised fungicide in wines. Page 2

E Germans talk

East Germany's two main political parties, trying to steer a course for unification with W Germany, are discussing formation of the country's first non-communist government.

Kurdish peace move

The leader of Turkey's separatist Kurdish rebels was quoted as calling for a ceasefire and talks with Ankara to end the conflict which has killed 2,000 people since mid-1984.

Mass grave enquiry

East Germany, which has been uncovering mass graves of victims of postwar Soviet internment camps, has set up an official investigation into how tens of thousands died in appalling conditions.

Shake up in Nepal

The royal palace in Kathmandu announced that King Birendra had dismissed nine government ministers on the advice of Prime Minister Marich Man Singh Shrestha.

Unholy alliance

Right-wing army rebels said they were willing to join forces with communist guerrillas to topple President Corazon Aquino's government but urged left-wing insurgents to renounce communism.

Swisscapade

A Swiss mountain guide climbed, jumped, ran, rode and swam his way across Switzerland from the Matterhorn to Geneva at the weekend in a bid to raise money for the handicapped.

Business Summary

EC ministers hail fresh UK stance over union

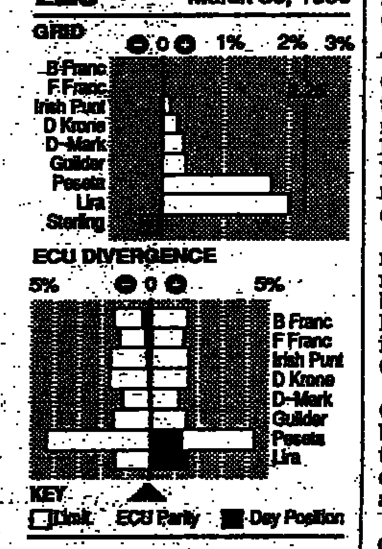
EUROPEAN Community finance ministers moved forward towards the design of an economic and monetary union (EMU).

Britain's partners hailed a "constructive" change of tack by Mr John Major, the UK Chancellor of the Exchequer.

The year-long impression of Britain being engaged in a solo fight against EMU was considerably softened at the informal meeting near Galway, Republic of Ireland. Page 18

EUROPEAN MONETARY SYSTEM: The D-Mark finished the week on a firmer note, but remained relatively depressed within the EMS. The Italian lira, while staying at the top of the system, lost ground on rumours of a possible cut in the Bank of Italy's 13½ per cent discount rate. Recent encouraging economic news underpinned the French franc and on Wednesday the currency touched its highest level against the D-Mark since May 1988. Currencies, Page 29

EMS March 30, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the Ecu.

BANKING: The world's second largest bank opens for business for the first time today, the result of a delicate merger between Mitsui Bank and Taiyo Kobe Bank, two of Japan's leading commercial banks. Page 21

BRAZIL'S Economy Minister, Ms Zelia Cardoso de Mello, cancelled meetings with leading international bankers in Montreal in which the Government was expecting to embark on a renegotiation of the country's $115bn foreign debt. Page 3

GIANCARLO Parretti, Italian financier whose Pathe Communications has bid $1.26bn for MGM/UA, Hollywood film studio, was sentenced to almost four years imprisonment on charges of fraudulent bankruptcy. Page 6

INTERNATIONAL Stock Exchange is studying existing rules governing buy-ins by issuers of their own debt instruments to see whether changes are needed to its rules on the nature and timing of information which must be disclosed. Page 21

TRADE: US and Japanese negotiators announced deals in two important trade disputes as Japan agreed to ease foreign sales barriers to satellites and telecommunications products. Page 2

GROUP Delhaize "Le lion", Belgian supermarket company which has a major US presence, saw consolidated profits jump last year 33.8 per cent to BFr3.21bn ($90.17m) on sales 23.4 per cent higher at BF260bn. The dividend is to be raised 25 per cent. Page 21

BUSH Administration faces a tough fight this week to win full Senate approval of Mr Timothy Ryan as chief regulator of the financially troubled US savings and loan industry. Page 3

ACCOR, leading French hotel and restaurant group, reported a 29 per cent increase in net operating profits, to FFr606m ($105m) last year against FFr469m in 1988. Page 21

FUND Management: Three British and one US fund management groups are expected to win approval to set up investment trust management subsidiaries in Japan. Page 21

CONTENTS

THE MONDAY INTERVIEW

Charles Murray, US writer and social scientist, believes almost all welfare benefits should be abolished and that social policies invented by well-intentioned middle class professors create thoroughly perverse incentives
Page 34

Mugabe claims mandate to form one-party state

By Julian Borger in Harare

ZIMBABWE'S President Robert Mugabe has called his victory in last week's presidential and parliamentary elections a mandate for the establishment of a one-party state.

Hours after the announcement of the results, Mr Mugabe left the door open for his challenger, Mr Edgar Tekere, to "retrace his steps" back into the ruling party, the Zimbabwe African National Union, Zanu (PF), and said Zimbabwe could now move forward to a one-party system "with a clear conscience".

Zanu (PF) won all but three of the seats contested in the parliamentary elections while, in the presidential contest, President Mugabe won a comfortable 78 per cent of the votes cast. However, Mr Mugabe, Zimbabwe's ruler for the last 10 years, only gained the vote of 42 per cent of the total electorate, as nearly half the registered voters stayed away during three days of polling.

Mr Tekere's opposition Zimbabwe Unity Movement, Zum, also suffered from the stayaway, winning only two of the 120 contested parliamentary seats, both in their eastern stronghold of Manicaland, although the Zum leader managed to capture just over the 20 per cent of his opponent's vote needed to retain his deposit.

While some other Zanu leaders, particularly Mr Eddison Zvobgo, Political Affairs Minister, have argued over the last week that the one-party state was not an issue in the elections, because it would be dealt with in a future referendum, President Mugabe made it clear yesterday that he believed the elections provided a sufficient mandate and said any further delay would be a matter for the Zanu central committee to decide.

Mr Tekere, has so far refused to comment on the result from his home in the Manicaland capital of Mutare, but a senior Zum official yesterday accused the Government of widespread election rigging.

Dr Emmanuel Magoche, Director of Elections, claimed that his party's polling agents had been forced to leave centres where votes were being counted on Saturday after intimidation by members of the Zanu youth league, and that he believed the count was manipulated in their absence.

Editorial comment, Page 22

US blocks imports of wines containing fungicide traces

By George Graham in Paris

SHIPMENTS of French and Italian wines to the US have been blocked because they contain traces of an unauthorised fungicide.

The fungicide, called Procymidone, is made in Japan and widely used in European vineyards, but has not been taken up by US growers nor received the approval of the US Food and Drug Administration.

If the dispute cannot be resolved, it could affect French wine exports to the US, which totalled FFr3bn (£321m) last year. France exported a total of FFr23bn of wine last year, and the US was the second largest customer, behind the UK.

French agriculture ministry officials said, however, that the problem was for the moment a technical one. They hoped it would be possible to work out an agreement on permissible levels for Procymidone. European wine-producing countries already have regulations on the allowable levels of Procymidone and it is understood that the traces found by US officials were well below these limits. It appears only certain wines have been blocked.

Growers are particularly anxious not to have their choice of fungicides curtailed because of a surge in eutypiose, a fungus which has been ravaging ugni blanc and cabernet sauvignon vines.

Tiananmen Square security tightened

By Peter Ellingsen in Peking

THE CHINESE Government yesterday cordoned off most of Tiananmen Square, centre of a pro-democracy campaign crushed by the army last June, in the latest sign of tightened security ahead of key anniversaries of unrest.

Children waving red flags and armed police filled the square after a wreath was placed on the Monument to the People's Heroes, focus of last year's protest marches.

Police vans patrolled the steel fence erected to keep residents at bay. Guards on key intersections and sensitive areas have been increased, along with checks on cars and pedestrians.

Authorities appear worried that Thursday's national day of mourning war dead, known as Qing Ming, will be used to remember victims of June 4 and possibly spark resurgence of discontent that led to seven weeks of protest last year.

People have been told to avoid Tiananmen Square after the appearance of leaflets urging residents to rally for a demonstration in the square.

The leaflets, some believed to have come from Chinese dissidents abroad, indicate that the democracy movement is not dead. Privately residents talk of continuing anger at June 4's killings, and the possibility of public protest on Qing Ming, or the day after, April 6, which marks the 1976 attack by security forces on people mourning the death of the former Premier, Zhou Enlai.

Qing Ming is the first of half a dozen approaching anniversaries linked to last year's uprising.

Dates connected to last year's rallies begin on April 15, first anniversary of the death of former liberal Party chief, Hu Yaobang, the spark for 1989's mass uprising. Dissidents are also focusing on September, when the regime will be on show during Peking's hosting of the 11th Asian Games.

Li Qiyuan, deputy head of Peking's Party committee, last week cautioned that the next three months could be an "extremely unstable period."

OFFICIALS MEET TODAY ON STRUCTURAL IMPEDIMENTS INITIATIVE

Kaifu presses for concessions to US

By Ian Rodger in Tokyo

NEGOTIATIONS within Japan's ruling Liberal Democratic Party continued late into the night over how much to offer when US and Japanese trade representatives meet in Washington today to draft a mid-term report on their Structural Impediments Initiative (SII) talks.

Mr Toshiki Kaifu, the Prime Minister, has been pushing hard for a substantial response to US demands at this stage in the hope of preventing SII from becoming an issue in the US mid-term election campaigns later this year. But other LDP leaders, who draw support from industry groups which would be harmed if Japan gave way to US demands, were continuing to resist the pressures for change.

The indications in Tokyo yesterday were that Mr Kaifu was getting his way, but perhaps at a high personal cost.

According to government sources, it has been agreed to revise the Large Scale Retail Stores Act, a law which protects small shopowners, in 1992 to make it easier for new supermarkets and chain stores to win licences.

Pending the revision, the Government will shorten the period from the application to the opening of a store to a maximum of one year from the current 10 years or more. The Government also plans to exempt stores to be opened in big cities from the delays required under the current regulations.

The US has claimed that the law acts as a barrier to foreign retailers trying to set up shops in Japan and to the free distribution of imported goods in Japanese shops. It has demanded that the law be abolished. Small shopowners, a major support base for the LDP, want the law maintained.

According to government sources, Japan will also promise that it will draw up a new five-year public project investment programme to boost its public works spending. Washington has demanded that Japan set aside at least 10 per cent of its gross national product for public works spending. At present, public investment represents about 6.7 per cent of GNP.

It is not clear what the Government will offer on other US demands, including the tightening up of enforcement of anti-cartel legislation.

Mr Kaifu, who has no significant power base within the LDP, has apparently decided to risk his future on the SII talks, pushing hard for a substantial response to the US demands at this time.

He has perhaps been buoyed by recent indications of the popularity of both the SII reforms and his own administration among Japanese.

A poll published in the Nihon Keizai Shimbun, Japan's leading business newspaper, early last week suggested that Japanese support the US-demanded structural reforms by 47.4 per cent to 39.5 per cent. Of the 10,000 people polled, 85.9 per cent thought that Japan should respond favourably to US demands and a majority was even in favour of opening the rice market to imports.

Later in the week, other polls indicated that the public's rating of the Kaifu administration had risen substantially to approximately 50 per cent.

There are signs that these polls have had some impact on LDP leaders opposing Mr Kaifu's aggressive line. Early in the week, cabinet ministers were openly going behind his back to seek support within the party to undermine his efforts. But at the weekend, party power brokers agreed to leave the resolution of the Government's ultimate stance to him and three other party leaders.

In the past, however, this capitulation by the party to the leader has often left the leader isolated, lacking the consensus support he needs to carry on. In Mr Kaifu's case, party bosses were already angry with his stubborn refusal to include scandal-tainted politicians in the cabinet he formed after last February's election.

After the SII struggle, his position could be even weaker.

Stores group challenges Japanese retail law

By Ian Rodger

LIFE STORES, a medium-sized Japanese supermarkets group, has filed a suit challenging the legality of Japan's controversial Large-scale Retail Store Act.

The action is an embarrassment for the Japanese Government, coming when the US Government is pressing hard for abolition of the law, claiming its operation prevents foreign retailers from setting up shops in Japan and restricts the distribution of imported goods.

The law's purpose is to protect small shopkeepers from the competitive power of large chains and department stores. The opening of any store with floor space of more than 500 square metres requires the approval of the Government.

The law has long been opposed by chain and department store operators, but Life Stores is the first to contest its legality. Mr Shinji Shimizu, chairman of Life Stores, claimed that the law infringes the freedom to trade, enshrined in Japan's constitution. "The law is exercised unfairly behind the scenes, and I want to inform the public and the world of the fact."

Mr Shimizu said that Life Stores had announced plans to open a a 4,620-square metre store in a Tokyo suburb, but had never been able to go ahead because of the way the law was enforced. He said the Ministry of International Trade and Industry told the company it had to win the agreement of local merchants before proceeding with the plan. However, they consistently refused to negotiate with Life Stores. The company was seeking damages as well as the abolition of the law.

A Miti official said that no parts of the law violated Japan's constitution. However, it is widely expected that the Japanese Government, in response to US pressure, will announce proposals this week to ease some of the procedures.

Tokyo dismayed at inclusion in hit-list

By Robert Thomson in Tokyo

JAPAN'S Government is dismayed that Washington has given notice of new trade disputes by naming the country as an unfair trading partner and Tokyo officials here warned that US retaliation could threaten the international trading system.

Government officials indicated that a formal reply to US claims would be prepared in coming days, but Mr Kabun Muto, the Minister of International Trade and Industry, said that Japan's prominence on the annual US trade hit-list, the National Trade Estimate Report on Foreign Trade Barriers, released on Friday, was regrettable.

Mr Muto said Washington "does not understand the fact that Japan has tried to make its markets free and open" through participation in the Structural Impediments Initiative (SII) talks and market-opening negotiations.

He warned that Washington should show caution before retaliating because "making a decision unilaterally without enough dialogue with trading partners would have negative effects on the multilateral system of free trade".

Thirty-five items were listed in a 19-page section on Japanese barriers in the report, and these will form the basis of a decision by the US Trade Representative's Office on whether to launch new cases against Japan under the punitive Super 301 section of the Omnibus Trade Act.

Japan had thought that the US was relatively happy with progress in outstanding Super 301 cases and had hoped that the US would reward the country with a less hostile listing in this year's report.

The list cites alleged problems including lack of intellectual property rights and restrictive standards on testing of new imports, while the specific items range from soda ash to amorphous alloys and, as expected, rice.

Japan and US make progress on disputes

By Nancy Dunne in Washington

US and Japanese negotiators have announced deals in two important trade disputes as Japan agreed to ease foreign sales barriers to satellites and telecommunications products.

The two sides also last week reached a preliminary agreement on trade in super computers, named along with satellites as targets for negotiation under the "Super 301" provision of US trade law.

Wood products remain the single Super 301 case outstanding; negotiations are expected to resume in Tokyo this month. The US is demanding changes in standards and lower tariffs, but the talks are beset by powerful lobby groups on both sides. Failure to reach an accord may bring retaliation as early as June 16.

With three out of four main sectoral disputes near settlement, the focus this week shifts to the Structural Impediment Initiatives designed by the US as a vehicle to demand changes in Japanese business practices. The negotiations are supposed to accomplish more than the protracted sector-by-sector talks, which seem to have little impact on the $49bn trade deficit.

The telecommunications agreement, apparently still preliminary, is expected to pave the way for US sales of advanced office telecommunications equipment. The two sides have agreed to negotiate the details over the next four months. The pact also opens the market to telecommunications services, like fax networks.

On satellites, Japan has agreed to open its highly protected government procurement market. Foreign producers will be permitted to bid on two CS4 weather and communications satellites. The US has agreed to continued protection for satellites devoted to purely scientific purposes.

Tokyo now faces the congressionally mandated second round of Super 301 listings, due out on April 30. The 1990 National Trade Estimate Report, released on Friday, cited Japan for having the most barriers (followed by the EC).

Senate fight expected over US thrift chief

By **Peter Riddell**, US Editor, in Washington

THE Bush Administration faces a tough fight this week to win full Senate approval of Mr Timothy Ryan as chief regulator of the financially troubled US savings and loan industry. The latest complication is Mr Ryan's admission that he used illegal drugs in the early 1970s.

The appointment is of critical importance in view of claims that the $200bn-plus rescue of the savings and loan (thrift) industry has lost momentum and after a court ruling that the appointment of Mr Ryan's predecessors as director of the Office of Thrift Supervision was unconstitutional because not confirmed by the Senate.

This judgment, now being appealed, has raised doubts about the whole rescue operation and increased the urgency of Mr Ryan's approval. Any delay could result in losses of $100m or more.

The odds are still that the Ryan nomination will be approved as many Senators will not want to be blamed for increasing these losses.

Mr Ryan's nomination was approved by the Senate Banking Committee by 11 votes to 10 on Friday after criticism by Democrats of his lack of experience and alleged conflicts of interest in his career as a lawyer, which included a period in the Labour Department.

Democratic leaders have promised tough opposition when the nomination comes to the Senate floor, probably on Wednesday, and several have called for the nomination's withdrawal.

The impact of Mr Ryan's drug use is difficult to assess and may not change the outcome, as the facts were already privately known to the Senate committee before Friday's vote. Mr Ryan, 44, disclosed to the Federal Bureau of Investigation and to the Administration that "early in the 1970s I smoked marijuana on a few occasions and tried cocaine once, perhaps twice."

The Administration went on the offensive at the weekend to back Mr Ryan, lobbying Senators. Mr Nicholas Brady, Treasury Secretary, who protested at the leak of the background check, said that "the incidents were limited and a long time ago. We know about this issue because the nominee voluntarily disclosed the information. We do not believe the reported incident should deter the full Senate from acting promptly and favourably on Mr Ryan's nomination."

While there may be sympathy for Mr Ryan's honesty, the disclosure could have an effect, though Democrats will publicly concentrate on Mr Ryan's alleged lack of qualifications.

President George Bush has said that experimental drug use in the past should not disqualify people from high office. A similar issue has arisen in the contest for Democratic nomination for Governor of Texas, where Mrs Ann Richards has refused to say whether she used illegal drugs.

Stephen Fidler reports from Montreal on the eve of the IADB annual meeting

Latin American GDP falls as birth rates rise

LIVING STANDARDS in Latin America fell last year as population growth outpaced the region's modest economic expansion, according to the annual report of the Inter-American Development Bank, published yesterday.

Economic growth in the region continued sluggish – 0.7 per cent last year against 0.9 per cent in 1988. But because of population growth, gross domestic product per head fell 1.1 per cent.

Over the decade, GDP per head fell by about 8 per cent, leaving living standards at about 1978 levels. However, the overall disappointing growth rates in 1989 hid some good performers. Chile's economy expanded 8.5 per cent, Paraguay's 5.6 per cent and Costa Rica's 4.1 per cent.

Surinam, Guatemala, Barbados and Colombia each grew by about 3.5 per cent, while growth in Brazil and Mexico reached 3 per cent. But Peru's economy shrunk 14.0 per cent last year, after contracting 8.8 per cent in 1988, Venezuela's shrunk 8.1 per cent, more than reversing the 5.7 per cent growth in 1988, and in Argentina and Panama, growth was a negative 5.0 per cent.

The region's debt grew by about 1.5 per cent in 1989, after shrinking by 4 per cent in 1988. The net transfer of resources from Latin America to the industrialised world slipped to $27.7bn last year from $29.3bn in 1988.

With modest economic growth, the region's debt-to-GDP ratio was little changed, although the ratio of total debt to exports of goods and services fell for the third successive year.

In 1989, Latin American countries' interest obligations on foreign debt amounted to about 23 cents for each dollar earned from exports, down slightly from 1988, but still exceeding the ratio of any other developing region.

Repeating its description of the 1980s as a "lost decade" for Latin America, the bank said increased foreign exchange earnings and a reduction in foreign debt will be needed to permit a return to import and investment levels necessary to rebuild the region's social and economic infrastructure.

The report shows some success in the bank's efforts to increase lending, following the agreement of a capital increase last year and the settlement of disputes over its role, particularly with the US Treasury.

The bank approved loans totalling $2.62bn last year, compared with a low for the 1980s of $1.68bn in 1988, to finance projects with a total investment of $6.1bn.

Disbursements of already-approved loans increased modestly to $2.55bn from $2.33bn in 1988. Lending net of repayments in 1989 rose to $1.33bn from $1.17bn.

After 1988 when there was controversy over the net transfers to the bank from borrowing countries, there was a return to a net transfer away from the bank, albeit a small one of about $60m.

The report showed two more countries going into default on their loans to the bank last year. Peru was placed on "non-accrual status" – where countries are placed after falling more than 180 days behind in payments – in February, and Honduras in November. At the end of the year, Peru owed $80.2m in overdue principal, Panama $56.6m, Nicaragua $6.8m and Honduras $11.2m.

Bank bangs drum for Americas

THE Inter-American Development Bank opens its annual meeting today in Montreal armed with a huge increase in capital but struggling to keep international interest alive in the economic problems of Latin America.

The capital increase will allow the bank to lend $22.5bn over the next four years, signalling an end to a period in which the bank languished amid a debate about its role.

This saw relations between the bank and the US Treasury sink to all-time lows. Now those relations appear largely repaired. The bank's president, Mr Enrique Iglesias, is said to have established friendly ties with Mr David Mulford, the Undersecretary for International Affairs at the US Treasury.

Now, with the arguments resolved and the bank beginning to pump up its new lending, the international focus has shifted to eastern Europe.

Perhaps symbolising this, Mr Mulford is not attending the meeting as scheduled, leaving no senior figure from the US administration in attendance.

The other problem faced by the bank is how to distinguish itself from the World Bank. Formerly exclusively a project lender, the bank, under the terms of its capital increase, can extend up to 25 per cent of its lending in the form of sector loans, which reward a country for specific structural economic reforms and which can be paid out much more quickly than project loans.

This is a speciality of the World Bank, albeit one which officials now seem to be emphasising less, and in the first two years the IADB's sector loans will be those identified and supported by the World Bank.

Apart from the bilateral talks between the bank and governments to secure new lending – among the loans being discussed is a $300m credit to tackle air pollution in Mexico City – the focus of the meeting is elsewhere, particularly on the economic programmes of the governments of Argentina and Brazil.

Brazil minister calls off bankers meetings

BRAZIL'S Economy Minister, Ms Zelia Cardoso de Mello, has cancelled meetings with leading international bankers in Montreal at which the Government was expecting to embark on a renegotiation of the country's $115bn foreign debt.

President Fernando Collor de Mello announced last Tuesday that talks would take place in Montreal. Brazil is in arrears of nearly $5bn to commercial bank creditors.

Bankers are now not expecting such formal talks to take place, although there may be informal meetings with bankers. They attribute the cancellation mainly to domestic political sensitivities following the introduction of a dramatic new economic plan. Since part of that plan includes a partial moratorium of Brazil's internal debt, a discussion with banks about paying interest on external debt would be politically difficult.

None the less, if no meeting goes ahead, some foreign bankers will see this as confirming their worst fears about Ms Cardoso de Mello. She was part of the team of Mr Dilson Funaro, the former Finance Minister, who declared an ill-starred moratorium on bank interest payments three years ago.

Mr William Rhodes, in charge of the debt issue at Citibank, said yesterday he expected to hear soon from the Brazilians about when they proposed to begin negotiations. But in a speech here he also warned that countries in arrears on interest payments to commercial bank creditors could find it "increasingly difficult" to arrange rescheduling packages with commercial bank creditors.

Ms Cardoso de Mello goes to Washington today for meetings at the US Treasury, the International Monetary Fund and elsewhere. She meets World Bank president, Mr Barber Conable, while in Montreal.

Menem introduces competition into public contracts

By **Gary Mead** in Buenos Aires

ARGENTINA'S President Carlos Menem has announced an intensification of his campaign to create a slimline state, in which the public sector is being rapidly dismantled.

The most important new measure concerns state purchases from the private sector. In future all such contracts will be handled through public tender, national and international. Currently such contracts are often made without competitive bids, and allow room for corrupt officials to skim percentages.

From July 1 the Government will put out to tender the billing and invoicing aspects of all public sector services. As of May 1, all such bills will be delivered on a monthly basis, with a 10-day grace period before penalties for late payment are incurred.

Public sector companies will in future be obliged to submit budget details to central government for approval; a detailed monthly breakdown of spending will also be required. Such companies are now required to clear all outstanding debts between each other within 30 days of being billed.

The new measures, which President Menem said were designed to "moralise" public administration and "eliminate corruption", are among the most important since he took office in July 1989. If his Peronist Government pushes through with the changes, Argentina could stand to benefit by more than $2bn annually.

In 1988 Mr Rodolfo Terragno, then Minister of Public Works, estimated that the Government overspent by at least $2bn a year, thanks to a system of direct contracts with the private sector.

Last year, public sector companies ran a $3.867bn deficit, due partly to the prevailing system of purchasing from the private sector without competitive tenders.

However, one remaining doubt concerns the Government's determination to weed out the heavily over-staffed central bureaucracy, where the cosy deals between public and private sectors are made.

On March 4, the Government announced that 136 top state offices were to be closed. But officials from those offices are resisting the move; the latest shots in the Government's slimming war are likely to face even greater obstinacy.

Baker disowns Reagan's Sandinista campaign

By **Lionel Barber** in Washington

MR JAMES BAKER, US Secretary of State, has disowned the Reagan administration's covert war against the Sandinista Government in Nicaragua.

Mr Baker, formerly White House chief of staff and Treasury Secretary under President Reagan, said in Dallas that the Nicaragua policy failed because it divided the American people.

His remarks confirm what many suspected: that Mr Baker disapproved of funding the Nicaraguan Contra rebels. But it has taken 18 months for him to voice his private thoughts.

More broadly, Mr Baker attempted in Dallas to define the Bush foreign policy in terms of promoting democracy and free markets around the world. The tools, he suggested, were free elections buttressed by economic reforms.

Mr Baker admitted that he was concerned by the current domestic debate which suggested the US faced a choice of either slipping into neo-isolationism or a reduced leadership role in the world.

"Some say we should retire, mission accomplished, to tend our problems at home. I am not among them. In the new world struggling to be born, like the old world passing away, there is no substitute for American leadership."

Mr Baker's staff said he wanted to try to influence the US domestic debate, recognising that without popular support at home an activist foreign policy abroad would fail.

By placing so much emphasis on public and congressional support, Mr Baker intends to draw a contrast with the cloak-and-dagger, Metternichian balance-of-power approach of Dr Kissinger.

The Bush administration is seeking to incorporate its support for free elections and market-oriented economic reforms in the CSCE charter on east-west security and co-operation.

Critics of the speech will point, however, to the failure to fit the administration's China policy to the framework. Its cerebral tone and references to Plato also do not deal with practical demands in, say, Poland and Czechoslovakia for English teachers, and US management skills.

Democrats will argue that the Reagan Administration's refusal to raise taxes to reduce the budget contributed to the administration's present plight: having won the Cold War, it does not have enough money to cement the victory. But as Mr Baker, one of the most politically astute Secretaries of State since 1945, would admit, there are limits to revisionism.

THE FINANCIAL TIMES (EUROPE) LTD
Registered office: Number One, Southwark Bridge, London SE1 9HL.
Company incorporated under the laws of England and Wales.
Chairman: D.E.P. Palmer.
Main shareholders: The Financial Times Limited, The Financial News Limited.
Publishing director: B Hughes, 168 rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621. Fax: (01) 4297 0629
Editor: Sir Geoffrey Owen.
Printer: SA Nord Eclair, 15-21 rue du Caire, 59100 Roubaix Cedex 1.
ISSN: ISSN 0174 7363 commission paritaire no 67808D.

Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41 Fax (33) 935335

OVERSEAS NEWS

Kohl sees unified Germany in EC union

Bonn's Chancellor argues for European integration in an interview with FT editors

CHANCELLOR Helmut Kohl, who long appeared destined to occupy little more than a footnote in German history, now exudes the relaxed air of a man on the way to taking up a large new chapter by himself.

Mr Kohl for years has attracted curiosity rather than admiration for repeating, sometimes tetchily, the far-off goal of a united German "Fatherland". Now, to general surprise (including his own), German reunification is expected to be accomplished at some stage during the next year or so.

Mr Kohl, these days looking satisfied and almost sleek within his massive frame, seems likely to go down in the annals as the politician who not only made unity possible but also presided over it actually happening.

That is not the only reason why, during a two-hour interview at the Financial Times in London on Friday afternoon, Mr Kohl was in a sunny mood.

After several hours of meetings with Mrs Margaret Thatcher, including lunch at Downing Street and a dinner with her in Cambridge the night before, the Chancellor managed to patch up his sporadically rocky relationship with the Prime Minister.

Mr Kohl believes that the best way of getting on with Mrs Thatcher is to stand up to her. He appears to be succeeding.

On the path towards German unity, Mr Kohl put forward during the interview two principal messages, both following closely the policies of Konrad Adenauer, the Federal Republic's first Chancellor, and Ludwig Erhard, its first Economics Minister.

First of all, Mr Kohl says, German unity can take place only under a "European roof". This is why – in contradiction to Mrs Thatcher – he wants to press ahead with political union in the EC.

In talking about his fellow EC politicians, the Chancellor has some taste for irony and even mimicry, as well as *Schadenfreude*. With an eye on Downing Street, he likes to remind people of his adherence to the aim of European political unity enunciated by Winston Churchill in his celebrated speech in Zurich in 1946. "I have become a disciple of Churchill," says Mr Kohl.

Secondly, he spells out that the way to bring economic recovery to East Germany is to export Erhard's "social market economy" successfully pioneered in West Germany after the 1948 currency reform.

The Federal Republic is negotiating the introduction east of the Elbe not only of free markets and the D-Mark but also of a modern pensions and unemployment insurance system, to be financed from the Federal Republic during the start-up years.

Once the decisions on bringing in these changes have been made, Mr Kohl declares, perhaps over-optimistically, that "a great investment boom" will take off in East Germany after this summer.

He admitted that East German decision-making will be handicapped by the lack of experience of the politicians negotiating the formation of a coalition Government after the March 18 elections.

At the helm is his sister party, the East German Christian Democrats, clear victors two weeks ago.

"Next Thursday we will see the constitution of the Volkskammer (East German parliament) and I hope very much that we will have the Government in the following week." On present calculations, Mr Kohl said he believed that "this year there will be elections for the state *(Land)* parliaments (in East Germany) and that in the second half of next year we will have elections for a united German parliament."

West Germany's own federal elections will go ahead, as planned, on December 2.

As integration between the two economies picks up steam, Mr Kohl predicted: "After five years, the German Democratic Republic will be a flourishing land - a motor for the whole of the EC."

Tony Andrews

Helmut Kohl: believes the best way of getting on with Mrs Thatcher is to stand up to her

Mr Kohl's ideas for monetary and economic union with East Germany seem to have become more rigorous since the March 18 elections.

He emphasised that East German pensions and wages will be converted at a less favourable D-Mark rate than the 1-to-1 to be applied to most East German savings.

This may lead to disappointment in East Germany, and accusations of broken promises from the opposition Social Democrats (SPD) at home. Mr Kohl was, however, unrepentant.

"There is no point being applauded by people for ostensibly taking a social line, and then facing six months later a catastrophic economic situation. That was the secret of 1948 – they got the balance of priorities right."

Mr Kohl expressed some sympathy for making Berlin the capital of a united Germany, although he admitted that there was some opposition to this.

His long term vision did, however, include a common European central bank, based perhaps in Frankfurt, the seat of the Bundesbank.

The future military status of the territory of East Germany will have to be decided in negotiations with the four former war allies during the next few months. But the Chancellor made clear that Germany's adhesion to the western alliance cannot be bargained away. "There is no price that we will pay not to be in Nato," he said.

"The first important principle is that Germany must not be singled out. . . Singling out Germany means neutralising it. Then you will turn the geographical centre of Europe into a ghetto – a policy which would be catastrophic. So the whole of Germany must be part of Nato.

"Nato is not first of all a military alliance, but a community of people with common values. Only secondarily is it a military alliance - to defend these values. And the people in Leipzig and Rostock want to be part of this community."

Harmonising German and European union is a task of almost Herculean proportions. Mr Kohl said he is well pleased with the date of mid-December for the start of the European Community inter-governmental conference on monetary union. But he underlined that West Germany will be setting some very tough conditions for the move towards a European central bank.

"I said we must work rapidly, and seriously (towards monetary union). We are talking about the currency. If you make mistakes, they cannot be so easily repaired." Repeating one of his favourite phrases, he affirms: "That could lead to catastrophic errors."

As the principles on which a future European central bank should be anchored, he lists:

- "First and foremost" priority to monetary stability;
- Total independence from government;
- Sovereignty over monetary policy questions;
- An obligation towards convergence of economic, particularly budgetary policies, among member states.

Mr Kohl hinted at scepticism whether all these points will meet with the approval of his EC partners.

Declaring "I don't want to slow down the process," he expounded the theme developed at the EC summit in Strasbourg that monetary union should take place in the same "time-frame" as the post-1992 move towards the EC single market.

The European central bank is, however, "the very last question to be dealt with. On this question, we will come to the moment of truth. You cannot have monetary union without an adequate budgetary policy in all countries. . . I will be very relaxed at the meeting when all the figures are put on the table."

Mr Kohl's confidence has been boosted by his triumphant appearances in the East German election campaign. Hailed there already as "the Chancellor of Unity", he is a lot more popular in East than West Germany.

Mr Kohl spoke in six cities to rapturous audiences totalling more than 1m. For a man who even his most faithful aides admit is a poor public speaker, this was unforgettable.

The Chancellor's strengths come across best in smaller groups. Mr Kohl has a disarming and effective way – more popular with President Bush than with Mrs Thatcher – of distilling the art of statesmanship into the recounting of anecdotes.

A historian by training, Mr Kohl himself does not always seem sensitive to the lessons of history – as his clumsiness earlier this year (now-repaired) over the Polish border underlined.

He is none the less contemptuous of those politicians whom he regards as failing to possess a sense of history. Top of the list comes his SPD rival in the West German elections in December, Mr Oskar Lafontaine.

Noting the Federal Republic's eight years of uninterrupted economic growth under his stewardship since 1982, the Chancellor even permits himself some light ribaldry at the expense of his SPD predecessor, Mr Helmut Schmidt.

"That was a period when someone considered to be a great economic genius was governing the Federal Republic. Then a normal person like me came along."

Mr Kohl likes to answer questions on nuclear deterrence by invoking the Weimar Republic.

He parries inquiries on the economic future of East Germany with a tale from Ludwig Erhard. He ascribes what he terms as a "bookkeeping" quality to the SPD's policies on East Germany. "If Erhard had thought like that, then today we would still be buying shoes with rationing coupons."

One source of East German prosperity will be the motor car – and the growth of small car mechanics businesses.

"I wouldn't know the Germans if there was not to be straightaway an enormous car boom. The Germans have a tendency towards eating, drinking, cars, and travel as the priorities. The car is the status symbol. And when the East Germans have a lot of cars, then of course they will need repairing.

"Then there will be an incredible push in construction. They (the East German Communists) have done nothing to repair old buildings and the new ones are terrible. In East Germany you have the highest percentage of working women – 90 per cent. So you have two incomes. And what does the wife say – 'At last, I want a decent bathroom' – just like in the magazines. And this will give a unique chance for the plumbers and handymen."

In similar vein, Mr Kohl explains why he does not want any modernisation of the Lance short-range nuclear missiles: "The follow-up model has a certain range. It would hit Prague, where Vaclev Havel is sitting. It would hit Warsaw, where we have Tadeusz Mazowiecki in government. It would be aimed at Budapest. There we have the people who last summer helped us to achieve unity by opening the borders. And three weeks ago, I was in Rostock (East Germany) – that's also within range. I spoke to 120,000 people. What would they have said had I told them: 'I'm going to order the nuclear missiles which will land on your heads'? They would have said: 'You're crazy.'"

Mr Kohl did, however, agree that if "one side has nuclear weapons, the other side needs them too."

Mr Kohl stresses that the imperatives for rapid reunification are coming squarely from East Germany – above all from the continued flow of emigrés (even though departures have dropped off sharply since the Christian Democrats' March 18 win).

"This has been such a dramatic development that one cannot make calculations with a calendar. Part of the irritation in the last few months has reflected many people's lack of understanding for our situation – in London, Paris and elsewhere. . . I don't have any alternative. If we don't carry out monetary and economic union, then we run the risk that in the summer we will have 500,000 people coming here from the GDR."

Mr Kohl believes that the new Germany now being reborn will be far more weighted towards the industrial areas of the south and south-west than was the old Prussian-dominated Reich.

Although sounding a warning note over the "catastrophic state of the ecology," he expounded: "If you take Thuringia and Saxony, which is where two-thirds of the citizens of the GDR live, that is the home of the German chemical industry, a traditional base for engineering – and you have the people, too. Clever, intelligent, highly skilled and motivated. When you give them money, so that they can buy things, then they will work for that money. . . Take the most important example – Volkswagen is going to Zwickau. They will invest DM4bn to DM5bn. The people are not going to move away if VW is coming."

Mr Kohl affirmed that financing reconstruction in East Germany would be carried out not through tax increases but by redeploying spending at the West german federal, state and municipal levels.

"We will not increase taxes. This is not a reasonable policy. . . We will have to spread our expenditures over a longer period." This would include, he said, cuts in defence spending.

"Why don't we say that during a period of three to five years, East Germany will have priority. We have an enormous budget for road-building and maintenance. Do we need so much – and is the money always spent in an ecologically reasonable way? So if we take this item, and put a part of that into road-building in the GDR, then it's a good thing."

Asked about aid from the European Community, the Chancellor said: "The most important help is to be given various transitional periods (during which East Germany will be exempted from EC regulations in areas like competition, food standards and the environment). We don't have our eyes fixed on certain EC funds. There are many worries in Brussels, and among the financially weaker member countries that the Germans will now come and exhaust the structural funds. That is *Quatsch* (nonsense). We need all the votes we can muster in the EC. We would have to be mad to follow a policy where we would erode support."

There is, he said, "no way of saying today how long these transitional arrangements will be. They will vary from case to case. That's why it's important that the process has to be carried out in closest possible co-operation with the EC."

Pressed again on the question of whether nuclear weapons will be needed in a future Germany, the Chancellor dredges up a reminiscence from what he likes to see as his political High Noon. This was the massive German controversy over his pushing through the deployment of Pershing and cruise nuclear missiles in 1983.

"I remember how in September 1983 I was flown out by helicopter from the Chancellery. Over the weekend there were 350,000 people demonstrating against this deployment. Alone in the helicopter, I said to myself: 'Am I right, and all the others wrong?' But of course, I was right!"

Buoyed up by consistency rather than magnetism, instinct rather than intellect, solidity rather than rhetoric, the Chancellor now appears, over the Fatherland at least, to have been right all along.

Tomorrow morning he celebrates his 60th birthday with a ponderous ceremony of speeches and music in Bonn's Beethovenhalle. Naturally, the chamber orchestra will come from Dresden.

David Marsh

Topsy-turvy time in the two Germanys

By David Goodhart in Bonn

FOR connoisseurs of geo-political eccentricities the current transitional phase in the unification of the two Germanys is a gold-mine. Diplomats, lawyers and civil servants are having to abandon their yearning for clarity and certainty and "make a virtue of messiness", as one senior official put it. Here are five examples of the peculiar:

- The Government of a re-united Germany, and perhaps even the West German Government prior to unity, will pay the Soviet Union more than DM1bn (£360m) per year to *keep* the 380,000 Soviet troops in East Germany. The reason is that East Germany has always had to pay for the Soviet troops and West Germany has pledged to take over East Germany's commitments to Moscow. The West Germans are not especially unhappy about this, according to one well-placed source, as it will give them financial leverage over the timing of the Soviet withdrawal. More uncertain is what will happen to all the shiny new Mig 29 fighter aircraft and T72 tanks used by the East German army. The Soviet equipment has been paid for by the East Germans but it is difficult to imagine it going into service in a joint German army.
- The citizens of East Berlin now enjoy more democratic – or at least representational rights – than their neighbours in the former beacon of freedom, West Berlin, and will probably continue to do so for another 18 months until the expected united German election. That is because Berlin is officially not part of either West or East Germany but is, ultimately, controlled by the four victorious powers of 1945.

Although the Soviet Union long ago broke with the spirit of four-power control and allowed East Berlin to become capital of East Germany, and home of the now democratic Volkskammer (parliament), the three western allies (US, UK, France) have continued to stop direct elections from West Berlin to the Bundestag in Bonn. That, along with restrictions on German-owned airlines flying into Berlin, is now being negotiated away. However, in a further twist to the plot, Bonn's ruling Christian Democrats appear to be holding up the negotiations in the hope that a deal will be reached too late to allow West Berlin's Social Democrat majority to vote for the Bundestag in the December West German general election.

- East-West German economic integration is steaming ahead in a legal twilight zone with East Germany's still operative Communist constitution being largely ignored. Nevertheless the CoCom restrictions on export of high-tech goods to the "East bloc" are still being rigorously policed. This anomaly caused particular irritation to Mr Hans-Olf Henkel, head of IBM West Germany, who took a small, high-powered, computer to East Berlin for the election night to help with voting calculations. Mr Henkel wanted to leave the computer behind as a present but was told by West German officials that this was not allowed as it was CoCom-listed.
- The virtually open border between the countries will make it impossible to police CoCom properly. It also requires a harmonised immigration policy. Bonn protested vigorously last week when East Berlin announced it was allowing Turks visa-free entry into East Germany. Bonn fears that tens or even hundreds of thousands of Turks will enter West Germany illegally and then, because of West Germany's liberal asylum laws, will be immovable.

Army fends off protesters in Bucharest

THE Romanian army yesterday used armoured personnel carriers to protect the Government's headquarters in Bucharest's Piata Victoriei as 3,000 protesters outside chanted anti-government slogans, writes Owen Bennett-Jones in Bucharest.

The demonstration was organised by the new anti-Communist Union Confederation Fratia. Fratia leaders said they did not want the protest to be overtly political.

Speakers denounced communism but avoided direct criticism of the National Salvation Front which assumed power after the overthrow of former dictator Nicolae Ceausescu.

The use of armoured personnel carriers reflected concern that there could have been a repeat performance of the occupation of the government buildings by a slightly larger crowd on February 18.

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Chancellor admits to a change of tone in the British position on monetary union

Major takes some minor steps towards Emu

By David Buchan at Ashford Castle

IF THE issue of when sterling will enter the exchange rate mechanism of the European Monetary System has become a cat and mouse game within the British cabinet, then the latest signs from this weekend's meeting of EC finance ministers are that the mice are getting bolder.

Partial credit for the Tom and Jerry metaphor must go to Mr Wim Kok, the Dutch Finance Minister, who, after the Saturday meeting here, described his British colleague, Mr John Major, as having taken "mouse steps" towards British involvement in, if not support for, economic and monetary union (Emu). By this, he simply meant that the Chancellor was taking small and silent steps so as not to be left too far behind in the fairly general European rush to Emu.

He made no reference to any "cat". Indeed, he may have had no feline creature in mind – but Mr Major seemed to, as he delicately skirted the assorted EMS/Emu mousetraps at a subsequent news conference.

Mr Major conceded that his EC colleagues had been right to notice "a change in tone, but not in substance" in the UK position. The Chancellor said the Government remained opposed in principle to a single currency union. But he then rattled off a number of aspects of Emu to which Britain could agree and not agree, giving the impression that he was thoroughly engaged already in negotiation.

Yes, Britain would want rules in an Emu preventing the Community bailing out improvident states with budget deficits. Suddenly, however, faced with a question about who – EC states or a EuroFed – should run the external policy of a European monetary zone, he thought he ought not to answer, lest he be thought to be giving credence to the very concept of Emu.

Mr Major had nothing new to say – he repeatedly stressed – on sterling joining the EMS exchange rate mechanism. The absolute goal was to get the UK inflation rate right down, but the next best thing was to achieve its "proximity" with average EC inflation.

If it was the gap between UK and Community inflation that mattered, did he expect German unity to push the latter up, and so speed sterling's EMS entry? No, he was not making "an under-the-counter nod and wink" that German inflation was about to rise, and thereby indirectly ease sterling's plight.

What, more than anything, made Mr Major's fellows feel that he is, slowly, trying to bring his country in their direction on European monetary matters came right at the end of the meeting. When the chairman, Mr Albert Reynolds of Ireland, came to sum up the version of the UK position to present to the press, Mr Major objected that he was being made out as too anti-Emu.

Mr Reynolds then obtained Mr Major's blessing for the following: "One delegation, while indicating a readiness to continue to participate fully in the discussions (on Emu), was unable to join in the totality of the consensus". This classic morsel of Eurospeak could mean many things, but it does not sound like root-and-branch opposition to Emu.

EC ministers wrestle with immigration policy

By David Buchan

EC FOREIGN ministers will today tackle the politically sensitive issue of Community immigration policy, spurred on by recent national moves to make the EC more open to travellers from eastern Europe but less easily accessible from the Mediterranean.

Bonn's partners see little sense in continuing to require visas of East German citizens who, by simply crossing an open border, can acquire West German, and thus EC, nationality. But many Community states are reluctant to follow West Germany which decided on March 24 to let Hungarians in visa-free.

These countries understand that Bonn should want to repay its political debt to Hungary – which last year gave East Germans free transit to the West – but are irritated that it should now be urging a common visa policy towards the east, having acted unilaterally towards Hungary.

Moving in the opposite direction to West Germany, the Italian Government is seeking a Community cloak for the national immigration controls it is now contemplating, particularly on the flow of people from North Africa. Italy apparently hopes the odium of such measures can be shared with its partners if all agree on an EC-wide quota on immigrants.

Little conclusive is expected from today's debate except acknowledgement that the goal of a free travel zone by 1993 requires hard decisions soon on immigration policy.

Boaters on Berlin's Havel river unite the two Germanys. Buoys marking the border were removed yesterday. The German issue is complicating EC immigration policy

Le Pen focuses his party's view on wider horizons

By George Graham in Nice

ACROSS the mainstream of French politics, immigration has become the dominant subject for discussion, but the extreme right-wing Front National, which has made immigration its principal theme, spent the weekend trying to look in other directions.

In Villepinte, on the outskirts of Paris, the main RPR and UDF conservative parties gathered to reassess their immigration policy. They considerably toughened their line, calling for repeal of current nationality laws and, despite opposition from some centrists, withdrawal of certain social security rights from foreigners.

In Nice, meanwhile, the Front National sought to build its image as a serious party with other policies besides repatriation of immigrants and restoration of the death penalty, in a congress notionally devoted to ecology and social policy. "Who can say now that immigration and insecurity are the bread and butter of the Front National?" asked Mr Jean-Marie Le Pen, the leader, after reading out a 15-minute extract from a ten-year-old FN economic policy document.

From black hostesses in the press centre to profuse excuses when an over-enthusiastic guard beat up a reporter from a left-wing magazine, no public relations effort was spared.

Even the choice of musical accompaniment showed a more cosmopolitan outlook. Mr Le Pen has always had incongruous musical taste – he chose the chorus of the children of Israel from Verdi's Nabucco for his presidential campaign theme – but Purcell, Elgar's Land of Hope and Glory and Beethoven's Ninth Symphony seemed odd for such a convinced anti-European.

In fact, the Front National militants resembled an experienced pantomime audience, ready to hiss villains – Mr Harlem Desir, the anti-racism campaigner, or General Charles de Gaulle – and to cheer heroes, such as Mr Le Pen or Mr Jean-Pierre Stirbois, former FN secretary general killed in a car crash last year.

They appeared to identify more closely with the image of underdogs, victims of an establishment conspiracy presented by the new secretary general, Mr Carl Lang, than with the portrait of a future government painted by Mr Bruno Mégret, Mr Le Pen's deputy.

But while the rest of France's right wing have to argue over immigration details, for the Front National these things can be left unsaid, at least on the podium.

"We will organise the return of the immigrants in the simplest possible fashion. First, we will not renew their residence permits, and then, when they are in a position of illegal immigration, we will expel them," Mr Mégret explained in the corridors of the congress.

Parretti sentenced to jail terms for fraud

ITALIAN FINANCIER Giancarlo Parretti, whose Pathe Communications has bid \$1.26bn for MGM/UA, the Hollywood film studio, has been sentenced by a Naples court to almost four years imprisonment on charges of fraudulent bankruptcy, writes Haig Simonian in Milan.

The case, involving the collapse in 1981 of Diario, a Naples newspaper group controlled by Mr Parretti and other partners, will certainly go to appeal.

According to Mr Fulvio Lucisano, an associate of Mr Parretti's and president of the Italian wing of his Pathe Communications company, Mr Parretti is confident about the case.

"He is convinced that everything will go OK on appeal", said Mr Lucisano.

Mr Parretti, who is free pending an appeal, was given a three year and 10 month sentence against a demand for four and a half years by the state prosecution.

Also convicted by the Naples Criminal Court was Mr Giuseppe Duraccio, an associate, who was sentenced to two years and eight months.

A New York lawyer specialising in takeovers said Mr Parretti's legal entanglements abroad should have no material effect on his bid for MGM/UA as long as he fully disclosed them to shareholders of both his own company, Pathe Communications, and the target company.

Pathe said recently a \$50m payment made to MGM/UA last month under its planned purchase of MGM included \$20m advanced by certain Pathe affiliates.

Under its proposed acquisition of MGM, Pathe is to make four payments of \$50m each as security to MGM. On March 9, itmade the first of such payments.

Journalist held

Sudan has arrested a journalist who works as a part-time correspondent for Reuters and the BBC, diplomats said on Sunday, Reuter reports from Cairo.

Mr Alfred Taban, a Sudanese, is the third journalist working for foreign media to be held in Sudan without explanation during the past two months.

Mozambique talks

Mozambican President Joaquim Chissano said yesterday he was ready to begin direct peace talks immediately with right-wing Renamo rebels, dropping his insistence on a formal ceasefire as a pre-condition, Reuter reports from Lisbon.

Nepal dismissals

Nepal's King Birendra yesterday sacked nine government ministers who politicians said had opposed a crackdown on dissent in the kingdom, Reuter reports from Kathmandu.

A royal palace communique said Prime Minister Marich Man Singh Shrestha had recommended the changes in the governing council of ministers.

Moscow prepares the public for big increases in prices

By Quentin Peel in Moscow

THREE RADICAL alternative versions of price reform in the Soviet Union have been unveiled by the top government official responsible, all of which would mean a sharp rise in overall price levels.

The three proposals were spelt out by Mr Vyacheslav Sengachov, the chairman of the State Prices Committee, at a committee meeting in the Soviet parliament, in a clear attempt to prepare public opinion for unpleasant measures to come.

The most drastic alternative would require "an immediate transition to a Polish-pattern free market," he said, with increases in both oil and coal prices of three to five times, and a rapid transition to rouble convertibility.

Unprofitable enterprises would close, unemployment would rise sharply, and "it is unclear whether the population of the country would reconcile themselves with such a shock therapy," according to Tass, the official news agency.

A less radical reform would allow a 20-30 per cent average price rise for wholesale and retail prices, involving an end to state subsidies, an increase in raw material and fuel prices by 80 per cent, and a 16 per cent increase in light industry and engineering product prices. The rouble would devalue by at least 50 per cent.

Mr Sengachov said that current government price subsidies are running at Rbs100bn a year – or some 20 per cent of the total value of retail trade.

He suggested that the preferred version was for a mixture of the first two, involving fixed prices for oil, grain, cotton, sugar and other staple commodities, a middle tier of "regulated" prices within upper limits, and between 15 to 30 per cent of goods at free prices.

However, he admitted that the final alternative was only an intermediate stage on the road to the ultimate aim of a market economy – but one in which "the population's confidence in the Government does not fall so low as to make no reforms possible at all."

Venice gets help to turn the Expo tide

By John Wyles in Rome

THE CRY might easily have gone out down the narrow streets and waterways of Venice: "The cavalry is coming."

After months of apparent political isolation, the European Commission has emerged as La Serenessima's somewhat unlikely saviour from the powerful forces which have determined that the city should seek to host part of the Expo 2000 world exhibition.

"This is something that matters to the whole world and I am so glad that the European Commission has decided to interest itself in a matter so vital for the future of Venice," Mr Antonio Casellati, the mayor of Venice, told the Financial Times.

The bespectacled Republican's morning coffee and cornetto had been given added flavour by the news that Mr Carlo Ripa de Meana, the European Commissioner for the Environment, had come out strongly against Venice's involvement in Expo 2000, warning that it could infringe a Community directive regulating the environmental impact of public and private projects.

At the very least, he said, a study of the environmental impact would need to be made before any decision to go ahead with the project.

Although the location of the Expo will be decided in June by the 43-nation International Office of Exhibitions, the controversy is exquisitely Italian and now confronts Mr Ripa De Meana against his fellow Italian and fellow Socialist, Mr Gianni De Michelis.

The two most important facts about the formidable Mr De Michelis are that he is Venetian and Italy's Minister of Foreign Affairs, a position not altogether without powers to influence the views of other national capitals.

He is an ardent supporter of Venice's claims to host the Expo which are in competition with those of Hanover and Toronto.

Mr De Michelis told a public meeting in Venice at the weekend that hosting the Expo would "force us to apply a system for regulating tourist flows which otherwise we shall never have".

Although the Venice city council voted last summer against the Expo and the Italian Government has never taken a formal position on the matter, Mr De Michelis' efforts have been enough to make it seem so, while it was the regional government of the Veneto which busied itself with filling in the application forms.

In addition to Venice, other parts of the Expo would be sited in Padua, Treviso, Verona and Vicenza.

"I am convinced that the Expo would destroy the city's delicate environment and Venice's historic monuments," said Mayor Casellati.

He said he had refrained from taking a position on the issue until the University of Venice had produced a study showing that the daily flows of visitors could oscillate between 200,000 and 400,000.

Venice's city fathers are still wearing hair shirts because of the environmental impact of last year's 200,000 strong gathering in St Mark's Square for an evening concert by the Pink Floyd pop group.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

	Feb.'90	Jan.'90	Nov.'89	Feb.'89
W.Germany 000's	1,938	1,965	1,993	2,073
%	7.4	7.5	7.7	8.0
US 000's	6,549	6,535	6,658	6,360
%	5.3	5.3	5.3	5.2
UK 000's	1,676	1,687	1,639	2,018
%	5.9	5.9	5.8	7.1
Japan 000's	1,360	1,380	1,330	1,440
%	2.1	2.2	2.20	2.3
	Jan.'90	**Dec.'89**	**Nov.'89**	**Jan.'89**
France 000's	2,601	2,586	2,578	2,661
%	9.7	9.7	9.7	10.7
Italy 000's	3,925	3,905	3,911	3,851
%	11.0	11.0	11.0	12.4
Belgium 000's	362	352	347	390
%	10.0	9.9	9.9	10.5
	Dec.'89	**Nov.'89**	**Oct.'89**	**Dec.'88**
Netherlands 000's	373	365	378	412.0
%	9.0	9.1	9.2	10.3

Source: (except US, UK, Japan) Eurostat

Progress on European single market gathers pace

Almost two-thirds of directives are through, writes **Lucy Kellaway**, but tough issues remain unresolved

MINISTERS from Europe's twelve member states will not be flying to Luxembourg tomorrow, after all.

The single market council meeting – where most of the big 1992 decisions are taken – has been cancelled. Apparently, there is not enough work to justify the journey.

How can this be? Is it the final proof that Mr Martin Bangemann, the single market Commissioner, is so intent on unifying his homeland that he has let the single market slide? Or does it prove that Ireland, the president of the council for the first half of this year, is not quite up to the job?

There may a grain of truth in both, but the real reason is more straightforward. Most of the simple decisions set out in the 1985 White Paper have been made; from now on the workload of ministers processing 1992 measures should start to decline. According to a progress report just prepared by the Commission, 60 per cent of the directives – 158 of the 279 total – are through.

In its report, the Commission awards itself particularly high marks for its punctuality and efficiency: as of this month, proposals on every one of the White Paper measures will have been drawn up and put to the council.

Once with ministers, directives are being pushed through faster than ever before, thanks to the Single European Act, which extended majority voting. The first directive on securities took nine years to adopt: a more recent one just two.

Progress on removing technical barriers to trade has been particularly good: some 80 per cent of all the worthy measures setting standards, harmonising, and agreeing on product testing, have been agreed. In many important areas – from banking to fertilisers – the EC machinery for a single market exists already.

However, none of this means that the famous space without frontiers will come into being on December 31, 1992. Despite its optimistic tone, the Commission's report sounds various ominous notes. Only 40 per cent of decisions may remain, but among these lurk some of the most difficult ones. In the areas which still need everyone's agreement, almost no progress has been made.

Of the 139 measures waiting to be agreed, 23 per cent require unanimity, most of these being tax matters, on which the lack of progress is endemic. Successive measures on VAT, on direct company taxes, and on customs duties are all stuck.

As the 1992 deadline draws closer, new problems are emerging. The first is the European Parliament. For the first time the Parliament is becoming a threat to 1992, and the interminable slowness with which it is providing an opinion on some directives is becoming a nuisance. Opinions are divided as to the reason for this. Some say the Parliament is wanting to make its presence felt at a time when it is campaigning for more power. Others argue it is deliberately stalling in protest at the way in which the famous "social Europe" – of which the Parliament was the greatest champion – has been cast aside.

More likely, though, the delay is a matter of over-work and bottlenecks in particular committees. Parliament has never had so much on its plate and in some committees progress is slowing to a standstill. In areas such as insurance, telecommunications terminals and animal medicines, little further progress can be made

until Parliament hurries up.

A second problem is enforcement: the willingness of ministers to agree directives is not matched by their readiness to translate them into their national laws. The Commission first became aware of the seriousness of the problem at the end of last year – when there seemed a danger that 1992 might consist of a comprehensive system of Euro-directives cheerfully ignored by most member states. Since then the Commission has started playing the part of policeman. This slowly seems to be having results. By the end of February 30 per cent of implementations had not been carried out by the specified deadline, an improvement of 3 percentage points since December. Then a mere seven of the directives had been passed into the law of all 12 countries, now the tally is three times as high.

The UK is making much of the fact that it has now emerged as the country with the best record in the number of directives adopted, narrowly overtaking Denmark. The UK has failed to implement just nine of the directives, compared to 51 for Italy. It is the only country, for example, in which it is safe to eat jam – the UK alone has taken a 1988 directive on the contents of jam seriously enough to transpose it on to its own law books.

To keep the pressure up, humiliating kiss-and-tell sessions have been started at ministerial meetings. Countries like Spain, Portugal, Belgium and Italy are getting tired of listening to Mr John Redwood, Britain's junior Industry Minister, explain that the UK is a good European, with the implication that they are not. At the last such confessional session, held in the imposing surrounds of Dromoland castle in Ireland, an apologetic Belgium explained that it had now set up special legal teams to help transcribe its laws. Italy, meanwhile, is holding up high hopes that its "La Pergola" draft law, which is designed to cut through its legislative red tape, will help shift the backlog.

However much progress is made by member states in changing their laws, 1992 is never going to happen unless they are really prepared to open their frontiers on January 1, 1993. On this score, Commission officials are becoming increasingly worried, noting a complete lack of progress recently. Member states may believe in the 1992 game plan enough to vote through directives that will allow tractors to pass freely across frontiers, but have far from committed themselves to abolishing the frontiers themselves.

There are two kinds of formalities that need to go: controls on goods, and checks on travellers. In the first area, good work has been done on checking cars, pet poodles, spider plants and all the other things normally dealt with at the border. However, borders cannot come down until further progress has been made on VAT and customs duties.

The prospect of getting rid of checks on people is even further off. The Commission, which has left his area entirely to governments to sort out, is gravely worried about the feeble advances being made. According to one senior Commission official, the political will is simply not there. The northern countries, he says, do not trust the southern ones when it comes to immigration, and it is hard to see them changing their minds easily. The problem of east Europe further aggravates matters – with the fear of borders open to the east, there is little hope of western European governments wanting to tear down their own barriers when the barriers around the outside are not sufficiently high.

In making an overall assessment of how well the single market is going, there is a danger of using the White Paper as the only measuring stick. Some of the most difficult parts of plan – energy for example – were left out altogether, and in these any notion of a real single market looks as far away as ever. Moreover, the list of measures needed to turn 12 markets into one have changed considerably since the White Paper was drawn up five years ago. All kinds of new proposals in important areas like public procurement and insurance have come up that are not part of the 279 directives. The Commission has spotted at least 20 new harmonising measures that are needed, mainly in chemicals and telecommunications, and expects that plenty of others will also come to light.

When it comes to these new directives, signs of the Commission's wandering attention are starting to show. A new bundle of measures on removing barriers to takeovers – another area not properly dealt with in the White Paper – was promised to be put to member states by Mr Bangemann by March at the latest. It is now April and the takeovers measures seem still to be grinding their way slowly through the Commission, understandably not on the top of anyone's priority list.

On Saturday there will be 1,000 days left before the 12 European markets are meant to slide into one. After a slow start, everyone has made an effort to catch up and now seem to be on course. What the final picture will look like is not clear, and the "completion" of the single market may involve something rather broader and shallower than that described in the White Paper. The destination is uncertain, but one thing is fairly clear: the going is not going to get any easier from here.

Employer pays car mileage to cyclists

By Emma Tucker

EMPLOYEES OF Sutton Council in London are being paid the same mileage allowance for using their bikes as they would be for their cars as part of a drive to reduce pollution in the borough.

The policy, introduced last month, applies to any employee who uses a bicycle for council business. The council is also setting up a bicycle pool which all employees will be able to use.

The move is cited today in the magazine Personnel Management as one of a series of examples of "green policies" that are likely to improve the reputation of potential employers.

Increasing numbers of companies are introducing healthy options in the canteen, no-smoking policies, and checks to eliminate the so-called sick building syndrome in the hope that employees will be attracted and motivated.

Probably the most common green move among companies is the conversion of company cars to run on lead free petrol. British Telecom, which is converting its entire vehicle fleet by next year, says the issue is of great importance to its staff.

Body Shop, the retailer, has already converted all its company cars to run on lead free petrol. It is soon to introduce company bicycles as a service related benefit.

Other converts to the cycle cause include Oxford Council. It has introduced bicycles for staff use from the office to locations within the city. Cars are only issued to staff for essential uses like transporting heavy equipment.

● A largely voluntary policy of non-smoking at work has been introduced by British Airways as a result of a review by a human resources team. It concluded that no smoking within the workplace should become the norm. While employees are to be asked to respect the wishes of non-smokers the management will be expected to resolve disagreements. Mr Robert Ayling, Director of Human Resources, said: "Cigarette smoking is becoming a minority habit."

Mature apprentices to fill gap left by dearth of school leavers

Peugeot Talbot tackles skill shortages

By Michael Smith

PEUGEOT TALBOT, the vehicle manufacturer, is taking on people aged 25 and older as "mature apprentices" in an effort to tackle growing skill shortages.

The initiative is likely to attract the attention of other employers, already paying a price for a decline in the number of UK apprenticeships during the 1980s. They fear their problems will grow this decade as the number of school leavers declines.

Although employers are boosting their apprenticeship schemes, virtually all confine their recruitment to 16- to 19-year-olds. British Telecom, one of the few companies to consider widening the recruitment net, is expected soon to launch an apprenticeship scheme for people aged up to 41.

Peugeot's programme, reported by Incomes Data Services, the pay research organisation, does not stipulate an upper age limit. However in the first intake, which started in January, none of the six successful candidates were older than 33.

Peugeot says it has no problems recruiting the 20 school-leavers' apprentices it takes on each year. However it fears difficulties may grow as the dearth in 16 to 19-year olds increases.

The company has been impressed with the progress of the first six mature apprentices, who were chosen from 130 internal applicants. It is considering expanding the scheme.

The mature entrants' scheme lasts four three years, one year less than that for school-leavers, and is aimed at electrical craft work, where skills shortages are most acute, rather than mechanical craft work.

The mature apprentices spend the first 40 weeks of their trainingat a local collage. This is followed by on the job tuition at the Ryton plant accompanied by day release courses for a city and guilds electrical craft certificate.

While undergoing their training the trainees retain their previous job pay rates, averaging at £200 a week. Once qualified they could increase their earnings by 50 per cent.

Report 566, Incomes Data Services, available by subscription from 193 St John Street, London EC1V 4LS.

Employers' organisation survey of industrial trends

Companies face weaker demand and rising costs

By Peter Norman, Economics Correspondent

WEAKER demand and rising costs are increasing the financial pressure on companies and causing many to review their investment plans, the Confederation of British Industry, the employers' organisation, said today.

In its latest industrial trends inquiry, the CBI found that UK manufacturers' total order books are now at their lowest level since October 1986, despite strong export demand.

The CBI is now forecasting that manufacturing investment will fall this year by 0.9 per cent after growth of 8.7 per cent in 1989 and 11.8 per cent in 1988. In its last economic forecast of November, the CBI said that investment would be about flat this year. The CBI's survey covered 1,463 companies, responsible for about half of UK manufacturing employment and exports, between the end of February and March 21.

It found that:

● Manufacturers expect hardly any increase in output over the next four months.

● Their stocks of finished goods are more than adequate to meet demand.

● And that the number of firms expecting to increase their factory gate prices over the next four months was the lowest since March 1986.

One bright spot in the survey was a strengthening of export order books. Some 27 per cent of companies now say that they are above normal compared with 23 per cent reporting below normal export orders, the highest export result since July 1988.

Mr David Wiggleworth, chairman of the CBI's economic situation committee, said the further weakening of total order books showed that the economy was now "delicatly balanced."

He added: "The financial pressures on companies created by this weakening demand, coupled with upward pressures on costs, are already considerable and are causing many companies to review their investment plans."

Background: Page 9

Options open for a spring election

By Alison Smith

THE core of the Government's legislation for the next parliamentary session starting in November, has been agreed by the Cabinet to leave options open for an election next spring.

At its meeting last Thursday, the Cabinet decided on a programme smaller than the present session's and dominated by bills which are not highly contentious in party political terms. It was drawn up by a Cabinet committee chaired by Sir Geoffrey Howe, the Deputy Prime Minister.

The intention is that if there is an early election, the opposition might allow some of the legislation to go through easily, but if the session ran its full length it would still be a reasonable parliamentary workload.

This traditional pattern for the fourth term of a parliament means that the three most extensive pieces of legislation will be a criminal justice bill, a review of road traffic law, and a major planning bill.

More contentious will be the bill to facilitiate private funding of roads, which was rejected for inclusion in the current parliamentary session.

Other measures will include legislation from the department of trade and industry to enable retailers to discriminate between cash and credit cards as methods of payment, and the department of social security plans for bringing greater choice into the arrangements for civil marriages.

But ministers have not ruled out the need for legislation to change the financing arrangements for the Channel tunnel, and believe that if it were needed then one of the major bills currently pencilled in would have to be excluded.

Party business managers are determined to avoid late draftied Government amendments to bills, which have been the subject of complaint from Tory backbenchers.

Green groups and agrochemical industry call for tripling of resources

Government set to announce new safety code on pesticides

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government is expected to announce sweeping new measures today to meet criticisms of its safety and review procedures for pesticides.

The measures are in response to an unprecedented alliance between the agrochemical industry and environmental groups, which last August called for a tripling of Government resources on pesticide approvals, as well as stepped-up on-farm inspections of pesticide use and more rigorous monitoring of incidents of pesticide misuse.

The alliance – which included the British Agrochemical Association and Friends of the Earth – particularly highlighted the long delays in government approvals for new pesticides that have followed the replacement in 1986 of voluntary approval by a statutory one.

At present, delays can be as long as 4½ years against two years in Germany and just 10 months in France.

While no precise figures were available last night, it is understood that Mr John Gummer, the Minister of Agriculture, will today announce a doubling in the present 58 staff employed at the ministry's Data Evaluation Unit at Harpenden, Herts, and an increase in the number of on-farm inspectors from the present 165.

Mr Gummer is also believed to have agreed to contract out work on new pesticide approvals to universities with the relevant experience in an effort to reduce the backlog, currently the longest in the EC.

In recent months, the agrochemical industry, concerned at the loss of consumer confidence in pesticides, has offered to pay for improvements in the system. Mr Gummer is expected to take the companies at their word and increase evaluation and licensing fees.

It is not clear whether the new measures will be able to reduce the backlog in approvals to the best practice within the European Community.

Parallel with British moves to tighten up pesticide safety is a proposal from the EC Commission to do so on a Community-wide basis.

Neither is it clear whether the Government intends to increase resources for its programme to review all older pesticides, which, environmental groups maintain, includes at least 100 compounds and could take 20-30 years to complete.

UK NEWS

Ministers act on deadlock over dairy farming future

By Bridget Bloom

THE GOVERNMENT has intervened to help to break deadlock between dairy farmers and processors over the future of their industry after the single European market in 1992.

The Ministry of Agriculture is canvassing a possible solution, with the Milk Marketing Boards voluntarily relinquishing their 57-year-old monopoly of the buying and selling of all milk from the 44,000 dairy farmers.

In return, the farmers' organisations would be allowed to remain the biggest single operators in the UK dairy products market, in particular through ownership of Dairy Crest, the dairy and processing company.

John Gummer: led attack on the dairy industry monopoly

The legal and other implications of such ideas were outlined in a paper sent to both sides last month by Mr David Curry, the junior Minister of Agriculture. The proposal would dissolve the controversial price-fixing arrangements between the boards and the Dairy Trade Federation, representing processors.

Those arrangements have been at the heart of cartel charges against the dairy industry.

They have, critics maintain, led to inefficiency in supply, have stifled innovation, and will seriously undermine the industry's competitive position within the EC after 1992.

Imported yoghurt and soft cheeses, for example, have already made substantial inroads on the UK market.

The system's abolition, the critics say, might result in better returns for farmers while giving consumers wider choice and lower prices.

Mr John Gummer, the Minister of Agriculture, has led the attack on the monopoly system but has hitherto insisted that the Dairy Trade Federation and the milk boards should try to agree on how to end it.

A six-month deadlock in negotiations has provoked the new move, which the Government insists must still be the subject of agreement between the two sides.

The proposals pose difficulties. Farmers are deeply attached to the boards, formed to protect their forebears from powerful dairy companies. While farmers' production is now protected by EC milk quotas, it may not be easy for officials to persuade them to move with the times.

Call for free eye tests to be restored for elderly

THE BRITISH College of Optometrists has claimed that *60,000 cases of potentially* blinding conditions may have escaped being referred to doctors as a result of the Government's abolition of free eye tests, writes John Authers.

The Association of Optemetrists, meanwhile, said 3.75m fewer patients received eye checks last year. Both bodies called for free tests to be reinstated for the elderly.

Mr Tom Collingridge, general secretary of the BCO, said that eye diseases needing medical attention were revealed by about 10 per cent of tests.

Assuming that demand for tests will improve slightly to a level 20 per cent lower than in 1988, he predicted 60,000 cases would be missed, including around 20,000 cases of both cataracts and glaucoma, 10,000 cases of diabetes, and 7,250 cases of macular degeneration.

He added that more than half of all patients with these conditions are over 60.

According to surveys by the Economists Advisory Group, independent practices have seen a *22* per cent drop in patients. Large companies have reported a 36 per cent downturn, pointing to a total decline of around 30 per cent.

Safeway links to European buyer group

By Maggie Urry

SAFEWAY'S UK food stores and supermarket chains from eight other European countries have set up a buying group, Associated Marketing Services, to pool resources and buying power with the aim of increasing efficiency and reducing costs.

The move is part of the response by food retailers to the increasing concentration in the food manufacturing sector in the run-up to the completion of the single European market after 1992.

The group is discussing co-operation on products such as alcoholic beverages, fruit and vegetables, pasta and pet foods. Together the nine groups have a turnover of £27bn through 11,000 stores, and control 11 per cent of the food market in the countries where they operate. Eventually signficant savings could be made.

Mr Alistair Grant, chairman of Argyll, which owns Safeway, said the partners would discuss a common "own-label" brand and might buy jointly some products such as wine.

Other UK food retailers are also looking carefully at how to tackle the European market. AMS is today launching a bro*chure which is being sent to* 3,000 food manufacturers in Europe. The purpose is to "identify opportunities to improve the efficiency of the supply chain, to reduce the cost of goods and services, and to share in the benefits from this co-operation."

It lists 14 areas of possible co-operation. For instance, if the supermarket groups can agree on recipes for prepared foods, suppliers will be able to improve manufacturing efficiency. Agreement between retailers on ingredients could also reduce duplicated effort on testing. Products stocked in one country could be introduced to others, and distribution co-ordinated to save trans*port costs.*

AMS is the next step from the formation of the European Retail Alliance, set up last year by Argyll, Casino, a leading French supermarket chain, and Ahold, the largest Dutch food retailer. ERA owns 60 per cent of AMS and the ERA members have swapped shares in each other.

The other six members of AMS are Dansk Supermarked of Denmark, ICA of Sweden, Kesko of Finland, La Rinascente of Italy, Mercadona of Spain and Migros of Switzerland. The nine will share the benefits of AMS membership in proportion to the amount they buy through it. Mr Grant said the group was still looking for *a partner in West Germany.* Last year Asko, the West German food retailer, had tried to join ERA but had been rejected when it secretly bought a 14 per cent stake in Ahold.

MoD to play down hope of arms spending cut

By David White, Defence Correspondent

THE MINISTRY of Defence is expected, in its annual white paper today ,to discourage expectations of an immediate peace dividend for the UK as a result of the collapse of communism in Eastern Europe and changes in the Soviet Union.

Publication of the Statement on Defence Estimates, which usually includes wide-ranging *assessments of security risks,* has been brought forward by a month this year – possibly because some of its tenets are already under review.

Studies on the future options for Britain's armed forces are being carried out within the Ministry. Talks are also taking place at Cabinet committee level.

However, the Government has been at pains to differentiate this reconsideration from previous cost-cutting defence reviews. The last fully fledged *defence review was in 1981.*

This month's Lloyds Bank economic bulletin predicts that the Treasury will later this year try to reduce the MoD programme in view of urgent claims by other departments, notably health and education.

About £1bn could be cut from the defence budget in each of the next two years if it were to be reduced in parallel with the plans of the US and other countries, it says.

Under its current three-year plan, the MoD's budget is set to *rise from £21.2 bn in 1990-91 to* £22.4bn in 1991-92 and £23.4bn in 1992-93.

The Ministry wants to ensure that at least part of any savings made from future reductions in British forces, particularly the army, are channelled into improving their equipment.

The Lloyds Bank report says the UK economy could reap "important benefits" if Britain's £4.3bn-a-year commitment to maintain forces in West Germany were phased *out.*

The slowdown in the arms race also means that the existing stock of weapons could be made to last longer, it says.

EXTRACTS FROM THE CBI FORECAST
% change on previous year

	1989	1990	1991
GDP (output)	2.4	−1.1	1.5
of which manufacturing	4.8	0.6	2.2
Fixed investment	5.5	−1.3	1.5
of which manufacturing	8.7	−0.9	0.3
Inflation (annual average RPI)	7.8	8.2	5.2
Exports: goods, services	5.6	7.5	3.8
Imports: goods, services	8.1	1.4	4.1
Current account (£bn)	−20.4	−14.8	−16.1
Stockbuilding (£bn)	4.0	−2.0	0.0

CBI sees poor outlook for the home market

By Peter Norman, Economics Correspondent

THE CONFEDERATION of British Industry today warns that 1990 will be a disappoint*ing year for companies that* depend on the home market but a good one for exporters.

The CBI's post-Budget economic forecasts show that the British economy is expected to grow by only 1.1 per cent this year, compared with 2.4 per *cent last year and 4.5 per cent* in 1988.

However, if interest rates fall, output growth is forecast to pick up slightly to 1.5 per cent in 1991. The CBI also expects that bank base rates will average 13 per cent next *year after dropping to* 14 per cent, from the current 15 per cent level, in the final quarter of this year. It expects 12 per cent base rates by the end of 1991.

The CBI also expects next year's Budget to include a 1p cut in *the standard* rate of income tax to 24p in the pound. That should help the growth in consumers' expenditure to revive to 2 per cent next year from 1.3 per cent this year.

It forecasts that total fixed investment will fall 1.3 per cent in 1990, with manufacturing investment declining by 0.9 per cent this year. It previously *forecast* that investment in 1990 would be flat.

The CBI *says* that *average* earnings growth and unit labour cost increases should peak around the second quarter of this year. By the end of 1991, manufacturing productivity should be rising by 5 per cent a year against 2 per cent *at present, while productivity* in the whole economy is forecast to grow by an annual 1.5 per cent by the end of 1991, compared with an estimated 0.5 per cent year-on-year decline in the current quarter.

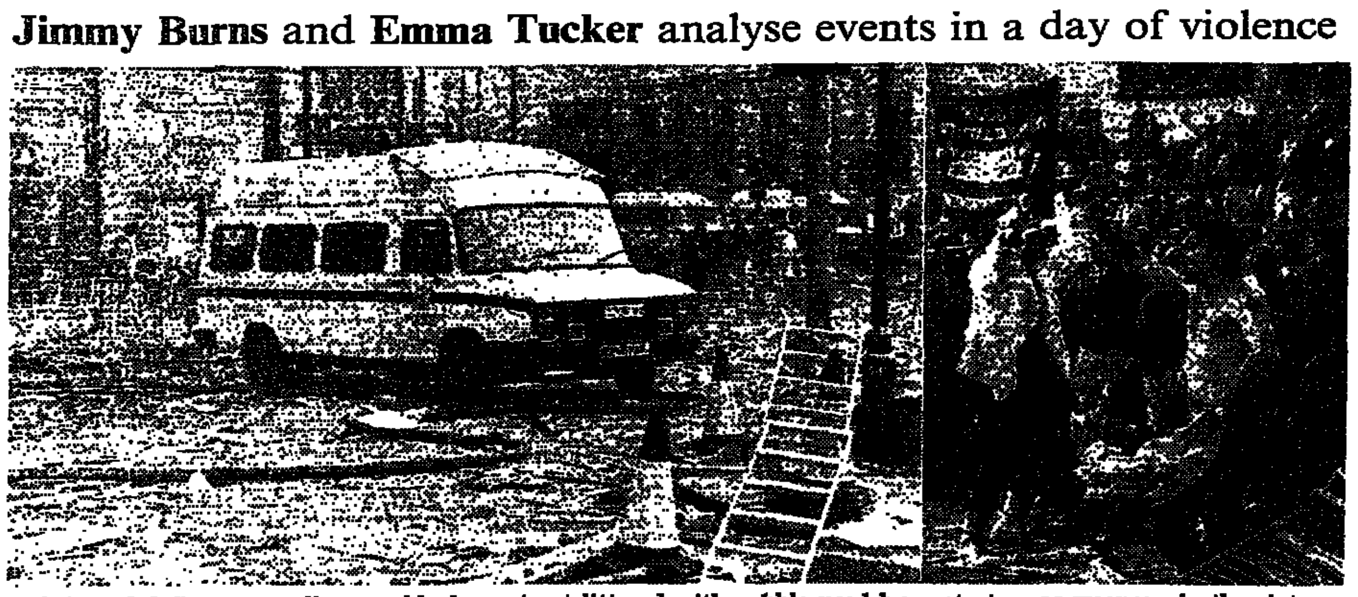
It expects that the current*account* deficit will widen *to* £16.1bn in 1991 after falling to £14.8bn this year from last year's £20.4bn. It says that will be because of an anticipated stronger expansion of home demand and a slackening of world trade.

In 1991, UK imports of goods and services are expected to grow by 4.1 per cent, slightly faster than export growth of 3.8 per cent. This year, however, the CBI expects to see growth of 7.5 per cent in British exports of goods and services compared *with import* growth of only 1.4 per cent.

UK NEWS

No easy remedy to prevent a repetition of London rioting

Jimmy Burns and **Emma Tucker** analyse events in a day of violence



Debris and defiance: a police van blocks a street littered with rubble used by protesters as weapons in the riot

THE DAY after the worst riots seen in London for a decade, the normal complement of two policemen was on duty at the gates to Downing Street yesterday. In nearby Trafalgar Square, the tourists almost outnumbered the pigeons, and on the corner of the Strand, just opposite Charing Cross station, a brisk trade was under way in toy police hats and postcards of skinheads.

It would have seemed a spring Sunday much like any other were it not for the more unusual souvenirs of the mayhem that marked Saturday night's demonstration against the community charge, or poll tax, littering the West End as far south as Whitehall and as far north as Portland Place.

Nearby streets including St Martin's Lane, Charing Cross Road and Regent Street looked as if they had been ravaged by a ferocious storm, or a number of car bombs. The remnants of the riot included about 250 looted shops with shattered windows (most of them boarded up by yesterday afternoon); several charred and damaged vehicles, including those attacked in Renault's central London showroom; a partly burnt-out building site; and twisted traffic lights.

The changing of the Horse Guard sentries on Whitehall took place on schedule but, just opposite, the Sunday opening of one of London's most treasured buildings, the Banqueting House, designed by Inigo Jones in 1619, was closed "due to damage."

Among the many shops damaged on Saturday night was the Hollywood Food and Wine supermarket on Charing Cross Road. Its manager, Meench Patel, yesterday estimated at about £5,000 the damage caused to his shop windows and the plundering of goods.

"It was just after 6pm when the crowds started coming up from Trafalgar Square," he said. "One of my employees closed the door but then the windows smashed and about 50 people came in. They took bottles of spirits, cigarettes, films. I've never seen anything like it, they were like animals."

A few blocks down the road, Mr Joe Macaris, the owner of Macaris, a musical instrument shop, for 35 years, said: "I'm a bit stunned. It's taken me a lifetime to build up a business and it's taken only one night to wreck it."

Both his shops, 50 yards apart, had been wrecked. Saxophones, clarinets and imported US guitars were stolen, with an estimated value of £10,000.

Most shopkeepers were hoping to open for business as usual today. But insurance claims will be considerable.

Many shopkeepers said yesterday they had little choice but to invest in reinforced steel window shutters to protect their stock. There was also a call for greater police protection – armed, if necessary.

Even so, such views – although shared by some police officers and not inconsiderable sectors of public opinion – understate the complexity of the events that occurred.

Senior police chiefs and the organisers of yesterday's anti-poll tax demonstration, the All Britain Anti-Poll Tax Federation, are agreed that only a small minority of an estimated 100,000 people at the rally were involved in the rioting.

The main point of disagreement is what happened once the riot started. The police say there was a ferocious and sustained attack by anarchists and members of hard-left groups on officers who were initially unprotected and who were subsequently backed up by a small number of mounted officers and other officers equipped with protective clothing.

Mr Tommy Sheridan, who chairs the All Britain Anti-Poll Tax Federation, condemned the civilian violence of "Thatcher's children" – young people on the margins of society, venting their anger after 11 years of social deprivation – but accused the police of overreaction.

"It was like using a water cannon to extinguish a match," he said yesterday, claiming that less aggressive police tactics had ensured a peaceful demonstration on the same day in Glasgow.

While the riots will undoubtedly revive the debate over the nature of public order and policing, Sir Peter Imbert, the Metropolitan Police Commissioner, will be unlikely to see better equipment of officers and increased riot squads as the solution.

Police tactics undoubtedly hardened in the wake of the inner-city riots of the early 1980s and the miners' dispute, but the emphasis has been away from confrontation and towards community policing.

The images of unarmed constables being kicked on the ground, and police cars being smashed by staves and bricks may have reinforced the view of a police force both ill prepared and innocently victimised in the face of a unruly mob.

But the post mortem must include suggestions that some of the damage and injuries may have been prevented with a better police organisation that might not have necessarily relied on the use of riot squads and charges by mounted police.

The All-Britain Anti-Poll Tax Federation said yesterday it planned to stage further anti-poll tax demonstrations and to organise a defence of individuals who risk court action by bailiffs for not paying the tax. What no one appeared to be able to guarantee yesterday was that a riot similar to Saturday's would not be repeated.

Anthony Harris, Page 25

Testing times for the true blue believers as a vision loses its appeal

Philip Stephens on policy presentation that is rattling the Tory Party faithful

THE RECEPTION for Mrs Margaret Thatcher was appropriately rapturous. The Conservative Party activists gathered in Cheltenham at the weekend seemed determined to demonstrate that they were made of sterner stuff than the backbench Tory MPs teetering on the edge of panic as Labour stretches its lead in the opinion polls.

The Prime Minister's deft blend of firmness and humour in dismissing any suggestion that she might soon retire to Dulwich cheered the true believers. The understanding tone of much of her speech offered reassurance to the waverers.

However, behind the standing ovation that greeted Mrs Thatcher's speech, there were clear signs that her party faithful are becoming rattled. The constituency workers and party agents at Cheltenham were not ready to challenge the Government's basic policies. But the activists were far less reticent on the subject of the presentation of those policies.

The recurring theme was that the Government was failing to anticipate trouble, failing to be flexible enough when it arose and, in the process, failing to get its message across to the voters.

Mrs Thatcher's speech mirrored some of the concerns. There were no apologies, but equally there was less of the triumphalism that has characterised her approach on similar occasions in the past. Ministers, she insisted, would meet their pledge to review the operation of the poll tax and make the adjustments needed.

More broadly, there was a direct appeal to the group of voters who have guaranteed Mrs Thatcher her 11 years in office – the affluent working class. It is people in that group who have been worst affected by the combination of 15.5 per cent mortgage rates and the introduction of the poll tax. They are the voters who deserted in droves to Labour in the mid-Staffordshire by-election.

It was to those – the couples who have bought their council houses, who have made a tidy profit from privatisation issues, who have benefited from strong rises in earnings – that Mrs Thatcher addressed the reassurance: "Of course I understand your worries. They are part of the fabric of my life too."

They were the audience for a vision of the future offering more home ownership, better schools, wider share ownership, and the chance to save for a rainy day.

Neither Mrs Thatcher nor her ministers, however, are confident that such voters will be brought back into the fold by reassurances that the Prime Minister is "one of them."

Mr Kenneth Baker, the party chairman, has put the emphasis on recalling the bad old days under Labour in the 1970s – the strikes, state controls, the runaway inflation and punitive taxation that gave Mrs Thatcher such an effective platform in 1979.

The Prime Minister, meanwhile, seems intent on drawing out comparisons between Mr Kinnock's socialist agenda and the shackles from which the peoples of Eastern Europe are freeing themselves.

A telling passage in a speech by Mr Chris Patten, the Environment Secretary, underlined the view of some of the younger generation of Cabinet ministers that the Government cannot recover either by simply offering more of the same or by tarring Mr Kinnock with an extremist brush.

Mr Patten's message that "we won't win the 1990s by talking about the 1970s," marks a shift in emphasis towards a more responsive strategy – a shift further signalled by measures to help the less well off in Mr John Major's first Budget.

The Government's difficulties, however, are more immediate than that. The violent demonstrations in London over the weekend will offer the Government only a short breathing space respite from the political backlash against the poll tax.

There will be no early respite from high mortgage rates.

The local elections in May seem set to further enhance Labour's credibility as an alternative government.

Planned legislation to provide full citizenship for 50,000 key workers in Hong Kong threatens a new internal split within the Tory party.

Mr Norman Tebbit's decision to announce himself as a contender in any leadership contest has strengthened the expectation at Westminster that, whatever Mrs Thatcher says, such a battle looks increasingly unavoidable.

The real spirit of the party activists has yet to be tested.

NEWS IN BRIEF

Industrial park plan at Silverstone

SILVERSTONE CIRCUITS, the company that controls the 720-acre Buckinghamshire motor racing complex often used for the British Grand Prix, plans to expand an industrial park on the site.

New industrial units, to be added to 47 existing ones, will be aimed at "building up Silverstone as a hub for the British motor industry," chief executive Mr Tom Walkinshaw, said yesterday.

The precise size of the expanded industrial park is yet to be finalised with Buckinghamshire planning officials, but is expected to be substantial. Later, the circuit's management is understood to be examining more diverse development possibilities linked to its motor industry and sport roles.

Computer agency head to be named

THE Government is expected today to name a new director for the Central Computer and Telecommunications Agency (CCTA), the organisation promoting effective use of information technology in government departments.

The former director, Mr Alan Healey, resigned unexpectedly in February after being appointed chief executive of Cheshire County Council. His move, after only 11 months in the office, fuelled speculation that there had been disagreements between Mr Healey and the Government over the future of the agency.

Last month, however, it was announced that Mr Healey was being investigated by the police for alleged expenses irregularities. He is now on police bail and is expected to face charges at Horseferry Road Magistrates Court on the 12th of this month.

During his period at the CCTA, Mr Healey had been working on a review of the agency and its role in Government computing. There are indications his report may be published this week.

A basic element of Mr Healey's strategy for the agency would be that it could expect to charge for its services, recovering its costs from its customers in Government.

CTCs criticised

CITY TECHNOLOGY colleges have failed to raise significant funds from industry, a report by the trade union-backed Labour Research magazine shows today.

Only three CTCs have been opened, against a target of 20 by the end of last year. A further 12 are due to open in England by the end of next year, with the first Scottish CTC starting in 1992. Labour Research said: "They have proved difficult to sell to business as a worthwhile target for sponsorship."

Foods perform well

ALBERT FISHER Group and Hazlewood Foods, two acquisitive fresh produce suppliers and food processors, generated the highest total return to shareholders of any UK food companies in the 1980s, according to the Grocer: OC&C Corporate Index published today.

In Fisher's case, £100 invested in 1980, with dividends re-invested, would have been worth £11,079 by 1989, an average annual return of 60.1 per cent. Hazlewood's average return was 51.9 per cent.

Sonar sale objection

DOWTY, the electronics and defence group, confirmed yesterday that it had asked the Government to block the proposed sale of half of Ferranti's sonar operations to Thomson-CSF of France.

Dowty, which does not compete directly with Ferranti's sonar business but gets 37 per cent of its sales from defence-related activities, has told the Government that the sale might harm normal competition in the UK defence sector.

Thatcher is least active Prime Minister, study says

By Hazel Duffy

MRS THATCHER is the least active Prime Minister in the House of Commons over the past 120 years, according to a political research team at the London School of Economics.

"No one else, not even Lloyd George, comes anywhere close to her level of diffidence about Parliament," says Professor Patrick Dunleavy, a member of the team.

Its findings, published today in Public Administration, compare the overall activity of prime ministers in the Commons – whether answering questions, making statements, giving speeches, or intervening in debates – by computing a new index showing the average parliamentary days elapsing between any one activity.

Mrs Thatcher hardly ever intervenes in debates, although prime ministers have often been wary because such intervention tends to lend credence to the Opposition which has raised the issue.

Nor does she often make statements, except on foreign affairs and especially on overseas summits and conferences, which take up much more of her time than that of her predecessors. On domestic affairs, excluding routine matters, she makes a statement only every 176 days, compared with every 28 days by Mr Edward Heath.

Her activity rate is mainly accounted for by Prime Minister's questions – 15 minutes each on Tuesday and Thursday afternoons. They are "the one unavoidable parliamentary chore," for which Mrs Thatcher is reputed to put in a lot of preparation.

A number of reasons are suggested for Mrs Thatcher's reclusiveness in the Commons. She has a strong preference for running the core executive itself rather than presiding in Parliament; she likes to present herself in public only in scripted and carefully controlled events; she is the first female Prime Minister operating in an overwhelmingly male parliamentary context.

For Mr Neil Kinnock, their conclusion is that his performance in the Commons should be revised considering that Mrs Thatcher, "has been one of the most difficult premiers to attack in modern times."

Prime Minister, Cabinet and Core Executive. In Public Administration, published by Basil Blackwell, 108 Cowley Road, Oxford OX4 1JF. £8.

More agencies being launched

By Hazel Duffy

ONE IN 10 civil servants will be working in executive agencies after the launch this week of 18 such bodies in addition to 12 already operating.

Some of the larger Civil Service bodies that become executive agencies this week:

- Employment Service – 35,000 staff
- Driver and Vehicle Licensing Agency – 5,250
- Information Technology Services Agency (DSS) – 3,000
- Meteorological Office – 2,450
- Driving Standards Agency – 2,000
- Royal Mint - 950
- Hydrographic Office - 900
- Central Office of Information – 750
- Building Research Establishment – 650

Agencies, which stem from the 1988 Next Steps report, are Mrs Thatcher's main method of improving government services at no extra cost.

Each has a chief executive given more freedom to manage from day to day in the style of the private sector, although still responsible to the minister.

In time, they could be the means by which national pay bargaining in the Civil Service breaks down. Mr Michael Fogden, chief executive of the Employment Service, launched officially today, will be looking for ways to make pay more flexible for his 35,000 staff.

Consultants have been appointed to carry out a pay exercise. The results will be discussed with the Department of Employment, the Treasury and trade unions.

Mr Michael Howard, Secretary for Employment, launches the agency at a time when unemployment rates are forecast to start going up after a long period of decline. The commitment to the launch was made over a year ago by Sir Norman Fowler, his predecessor.

Ministers have set Mr Fogden published targets, including getting 50,000 more unemployed into work this year than in 1989-90, or for 80 per cent of placings into jobs to be from the register of unemployed – whichever is the greater. He must also reduce the incidence of inaccuracies in unemployment benefit and meet cost-cutting targets.

The average waiting time to take a driving test – currently eight to nine weeks – will have to be cut to six next year as one of the targets set for the Driver and Vehicle Licensing Agency, also being launched today.

Chief executives of the new agencies have been mainly recruited from the Civil Service, sometimes with competition from the private sector.

Marketing of electricity will remain centralised

By David Thomas, Resources Editor

THE ELECTRICITY industry is to continue with central marketing of electricity after privatisation in a tactic to fight off the competitive threat from gas.

The marketing will be conducted by the Electricity Association, a new trade association for the industry, which will have an annual advertising budget of about £12m.

The association came into existence on Saturday, the industry's "vesting day", when the new electricity companies heading for privatisation are formally constituted.

The association will assume some of the functions of the Electricity Council, the industry's central body under the nationalised structure, but its membership will be widened to include the industry in Scotland and Northern Ireland. Associate membership is likely to be offered to Ireland's electricity industry and the new independent generators. The association will have about 800 staff, some 500 fewer than the Electricity Council.

Some functions, notably finance, will be devolved to individual companies under the privatised structure.

● A Labour Government might take a stake in the National Grid Company, Mr Frank Dobson, Labour's Energy spokesman, said at the weekend. National Grid is to be jointly owned by the 12 area supply companies under the newly privatised electricity industry structure. Mr Dobson has previously said that Labour has no plans to renationalise the entire electricity industry.

● The Government could save £2bn if it abandoned construction of the planned nuclear power station in Sizewell, Suffolk, a report published at the weekend by Greenpeace concluded.

Smaller pay rises for top managers

By Simon Holberton

BRITAIN's top managers are awarding themselves slightly smaller basic pay rises, but the rate of growth of their total income continues to rise because of bonuses, according to a study of executive pay by Charterhouse, the UK merchant bank.

Lord Hanson, executive chairman of Hanson, tops the league of the most highly paid executives in Britain with an annual remuneration of £1,534,000. Mr "Tiny" Rowland, managing director and chief executive of Lonrho, comes next with a package of £1,317,257.

There are 32 people listed who earn more than £500,000 a year. Most of them are subject to a performance-related incentive and 18 are the chairmen of their companies. Merchant banking dominates the list.

Top earners: Lord Hanson (left) and "Tiny" Rowland

The annual pay rise of the average (median) chief executive in the six months to the end of February was 13 per cent, compared with 14.2 per cent for annual pay rises declared in the half-year ending August 1989.

Divisional directors have seen their annual pay rises fall to 12.5 per cent in the latest six months from 18.2 per cent previously.

Against the trend, sales and marketing directors' basic remuneration rose by 13 per cent compared with 10.2 per cent in the six months to August 1989.

The Charterhouse survey, prepared by Monks Partnership, a pay consultancy, is based on an analysis of 1,139 company annual reports. A little over 10 per cent of those related to the period July to December 1989.

The study show an increase in executive and save-as-you-earn share schemes for management.

Charterhouse Top Management Remuneration. Monks Publications, Debden Green, Saffron Walden, Essex, CB11 3LX. £200.

UK NEWS

Bid activity fell in first quarter, survey indicates

By Nikki Tait

UK BID activity experienced a sharp downturn in the first three months of 1990, according to aleague table of mergers and acquisitions.

The figures, compiled by FT Mergers and Acquisitions International, name Lazard Brothers as the most active investment bank during the quarter. The bank advised on six completed bids for UK publicly quoted companies with a combined value of £767m.

In second place came S. G. Warburg, with four bids worth £685m, and next, J. Henry Schroder Wagg, also with four deals, but worth only £538m.

However, the value of Lazard's deals in the first quarter was only a fifth of that achieved by S. G. Warburg the year before, when it held the comparable number one slot.

A single quarter's figures are not necessarily indicative of trends in the mergers and acquisitions industry, and there has been some revival in bid activity in recent weeks. The tables cover only those deals which have been declared unconditional, referred to the Monopolies and Mergers Commission or lapsed during the period.

Nevertheless, the present difficulties surrounding leveraged deals and the uncertain economic climate have been suggested as reasons for the slowdown in takeover activity.

In terms of completed bids for all UK companies, the rankings are broadly similar, although Baring Brothers overtook Schroder Wagg in third place.

County NatWest, which had slipped badly in the rankings in the wake of the Blue Arrow affair, returned to fifth place, boosted by its role in the £976.5m sale of Yorkshire Bank to National Australia Bank.

Schroder Wagg led the table of bids for all UK companies and British bids abroad. It advised on 13 transactions, with a value of £2.73bn. In second place came Lazard Brothers, followed by Merrill Lynch and then S. G. Warburg.

COMPLETED BIDS FOR UK-QUOTED COMPANIES
Jan-Mar 1990

Adviser (final 1989 position)	Value of bids (£m)	number of bids
1. Lazard Brothers (2)	767	6
2. S. G. Warburg (1)	685	4
3. Schroder Wagg (8)	538	4
4. Baring Brothers (18)	360	2
5. Kleinwort Benson (10)	332	3
6. N. M. Rothschild (11)	324	2
7. Barclays de Zoete Wedd (17)	301	4
8. Morgan Grenfell (9)	278	4
9. Samuel Montagu (14)	226	5
10. James Capel (-)	206	3

Offshore bid raises hope for failed yard

By James Buxton, Scottish Correspondent

AN OFFSHORE platform building yard on the north-west coast of Scotland that closed in 1987 might reopen this year. A consortium of British and Norwegian contractors has taken an exclusive option to buy the former Howard Doris yard at Kishorn from Peat Marwick McLintock, the receivers.

The consortium, composed of Fairclough, a subsidiary of AMEC, and Norwegian Contractors, a leading Norwegian civil engineering company, would exercise the option if it won a contract to build a large underwater concrete substructure from Amerada Hess, the US oil company, for the Scott field in the North Sea. The contract, which is sought by other companies, is unlikely to be decided before June.

The Howard Doris yard was created to build concrete platforms and has a very large dry dock hewn out of the hillside. The company went into receivership in 1986.

If it were reopened, it could employ upwards of 300 people, according to Peat Marwick McLintock. At one point in the 1970s it employed about 3,000.

Cash consensus achieved over Broadcasting Bill

By Raymond Snoddy

David Mellor: went out on a limb to improve the measure

A REMARKABLE compromise has been struck between the broadcasting authorities and the Government over the Broadcasting Bill, now moving towards its report stage in the House of Commons.

Free market principles that were at the centre of both the white paper and the bill published last year after nearly five years of debate have been modified markedly to reflect the traditions of British broadcasting.

The bill still provides that the new Channel 3 (ITV) franchises should go to the highest bidder. However, bidders will have to meet a quality threshold described by Mr Richard Dunn, chairman of the ITV Association and managing director of Thames Television, as "very high and very solid, built on existing ITV practice."

Mr Dunn added: "There is, subject to the final amendments, a genuine accent on quality of broadcasting offered, with money being a significant factor but not necessarily the be-all and end-all."

At one stage, most of the existing 16 ITV companies appeared to face oblivion. The Government planned that commercial franchises would go to whomever put down the largest amount of cash, after passing a barely defined "quality threshold" subject only to equally undefined "exceptional circumstances."

Even political opponents acknowledge that Mr David Mellor, Minister of State at the Home Office responsible for broadcasting, improved the bill during the committee stage, completed recently, and on occasions went out on a limb to do so.

The quality threshold has been strengthened by placing obligations on broadcasters to produce both children's and religious programmes and to make high-quality regional programmes.

The Independent Television Commission, which will replace the IBA, will also be able to set out for potential bidders a clear set of programme obligations – which may differ little from those the ITV companies now face. More important, the commission will be able to consider both the cash bids and programme proposals in tandem to determine how practical the entire package is – a proposal designed to prevent overbidding.

Even more significantly, Mr Mellor obtained permission from Mrs Thatcher herself to make clear in the bill that a bid offering exceptional quality would always win priority over the highest cash bid.

Along the way, the Government dropped controversial clauses that would have allowed a police officer of the rank of superintendent or above to seize scripts or tapes before they were broadcast.

It also decided that there should be at least two commercial broadcasters in Scotland, and provided for a continued commercial teletext service.

More ITV companies will probably lose their franchises than in previous franchising rounds even under the modified process of competitive tendering, yet the balance has been tipped in favour of the existing companies.

That should lead to merger and takeover activity as would-be entrants to the broadcasting market try to place each-way bets by buying up production expertise – a process already under way. Last week, Thorn EMI and BET announced that they would dispose of their combined 56 per cent stake in Thames.

As the bill goes to its report stage this month and on to the House of Lords, there will be one last push by broadcasters on three remaining controversial issues:

- Cross-media ownership and whether Mr Rupert Murdoch, chief executive of News Corporation, should be able to own five national newspapers and four satellite television channels.
- Whether there should be a one-year moratorium on takeovers to allow new franchise holders to establish their services.
- Government insistence that 51 per cent of Independent Television News should be sold to outside interests.

Porton acts on lab fears

PORTON INTERNATIONAL, the biotechnology company that wants to buy an important Government health laboratory, has attempted to calm fears among the centre's staff about prospects should the sale proceed, writes Peter Marsh.

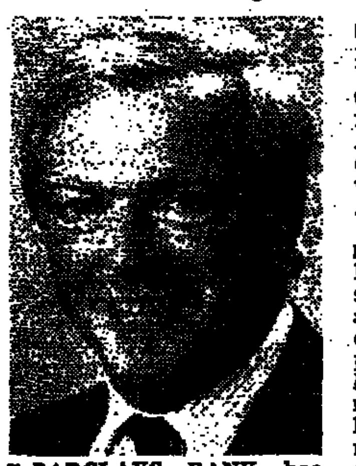
Porton said it hoped soon to talk to the 600 employees at the Centre for Applied Microbiology and Research, (CAMR), based near Salisbury, Wiltshire, to explain details of the company's plans.

"The company wants to ensure that in future there will be a thriving, well rewarded CAMR," Porton said in a statement. "It accepts that its task is to persuade CAMR staff of the merits of privatisation."

In a recent ballot of staff at the laboratory, a majority voted against the idea of Porton taking over the laboratory.

APPOINTMENTS

Senior divisional post at Barclays Bank



■ BARCLAYS BANK has appointed Mr Sinbad Coleridge (*pictured*) as UK director of its corporate division. Reporting to Mr Coleridge will be some 16 industry-based teams headed by corporate finance directors and supported by export, project and acquisition finance specialists.

He has gained wide international experience with Citibank which he joined in 1967 prior to his appointment with the Barclays Group in 1981 as a senior executive in the corporate banking sector.

■ Mr Geoff Burnell and Mr Keith Civval have been appointed to the board of SAVE & PROSPER GROUP from April 1. Mr Burnell has been responsible for the adminstration and development of the group's banking and credit card operations. Mr Civval has been concentrating on the expansion of the company within the investment products market.

■ Mr David Bruce will be joining GUINNESS MAHON HOLDINGS as finance director on May 3 in succession to Mr Ian Dinwiddie who is leaving to take up a senior appointment with Allen & Overy. Mr Bruce was formerly executive director, finance and administration with the International Stock Exchange and prior to that treasurer and controller of Shell UK.

■ RIGGS AP BANK has elected Mr Paul Bishop and Mr Peter Haycock to the board as executive directors. They have both been appointed from within the bank. Mr Steven Pfeiffer is made a non-executive director. Mr Pfeiffer is head of the international department at Fulbright and Jaworski, the US-based law firm.

■ Mr Stuart Cain has become managing director of Northampton-based NEFAB (UK). He was previously managing director of Automatic Switching, a part of the Swiss telecommunications group ASCOM.

■ THE WM COMPANY, the Edinburgh-based investment services company, has appointed two marketing directors. Mr Mark Kerns, previously head of marketing, has become sales and marketing director. Ms Linda McPherson has been appointed marketing director for WM's global performance measurement services. She was previously head of the company's North American sales and marketing operations.

■ PAL INTERNATIONAL, the Leicester-based manufacturer of hygiene and barrier protection products for food and healthcare markets, has promoted Mr Colin S. Gore to director-group management services. He remains company secretary.

■ Chesterfield-based BRYAN DONKIN CO has appointed Mr Jeffrey Keighley as its managing director. He succeds Mr Andrew Nielson who has left the company. Mr Keighley was managing director of T & P England, another member of the Hopkinson Holdings Group.

■ Mr Don Pinchbeck (*above*) will become managing director of EPSON (UK) on April 1. He takes over from chairman and managing director Mr Masakazu Sakisaka, who has returned to the Seiko Epson Corporation in Japan.

At the same time Mr Hisataka Kamio, corporate manager, finance, has been appointed deputy managing director.

MANAGEMENT

Head office location

Why Yoahan decided it was time to move

Ian Rodger on the Japanese retailer's Hong Kong-based plans

Kazuo Wada is a member of Seicho no ie, or Humanity Enlightenment Movement, which he says emphasises the infinite potential of people if they co-operate to create harmony

Kazuo Wada, chairman of Yaohan, a Japanese retail chain that is expanding rapidly in south east Asia, made world news last October when he announced he was moving the group's headquarters to Hong Kong.

For one thing, it was unprecedented for a Japanese company to move its headquarters out of the country. Moreover, at a time when many companies and individuals are making plans to leave Hong Kong in advance of the end of British rule in 1997, it seemed odd for a foreign company to be relocating there.

Wada's view is that, in the wake of the Tiananmen Square crackdown last year, the Chinese authorities have become increasingly concerned about their world standing. He therefore believes that they are more likely to respect the treaty with the UK which provides for Hong Kong's autonomy for 50 years after 1997 than they might have been before.

"If they break the treaty, they would be in serious trouble, especially because there is so much investment in Hong Kong from the US, the UK and Japan," he says.

As a result, the 60 year-old chief executive is now in the middle of moving himself and 30 senior executives of the Yaohan group from Numazu City, 100 miles west of Tokyo, to the top two floors of Hong Kong's new International Convention Centre.

Whatever one may think about this rationale, it is worth remembering that Yaohan under Wada's leadership has fared extraordinarily well in the past 20 years by doing unorthodox things. From a base of six supermarket-department stores in and around Numazu, it has expanded both in Japan and abroad until it now has 55 stores in Japan, 22 in six foreign countries, plus a 4,000-head cattle ranch in Brazil, property developments in the US and Canada and a chain of restaurants in Hong Kong.

In the year to May 30 1989, the group had net profits of Y1.9bn on sales of Y149.6bn (£610m). Wada's target is that it should have turnover of Y800bn by 1997, of which half would come from outside Japan.

Wada says the company moved abroad mainly because a Japanese law designed to protect small shops prevented it from expanding within the country. "It can take up to 10 years to get approval to open a supermarket," he complains.

Lately, the US Government has put this problem on the top of the list of structural barriers to trade it is discussing with the Japanese government. "I support the US trade offensive totally. I wish things would change more quickly," he says. "The biggest problem in Japan is that there is no politician who can lead. It would be good if we had a prime minister like Mrs Thatcher."

Wada has set his sights on Yaohan becoming the Sony of the distribution business, as he puts it: that is, it would become bigger and better known overseas than in Japan. Its first venture was in Sao Paolo, Brazil, where it set up a department store in 1972, hoping to capitalise on the presence of a large Japanese community there. The store did well for four years, but collapsed after the oil crisis, and had to be closed in 1976.

Meanwhile, the group opened a store in Singapore and then gradually expanded in Malaysia, Hong Kong, Brunei, Taiwan and the US, to the point where its total store space overseas is now slightly greater than its space in Japan.

As the network grew, so did the group's buying power and sophistication. Much of the goods bought overseas for the south east Asian stores was also put in the Japanese stores long before it became fashionable to import consumer goods into Japan.

Yaohan is now building a huge wholesale centre at the new International Merchandise Mart in Singapore which will handle all the purchasing and distribution for the group's stores. And last October, it decided to create a holding company in Hong Kong and move the headquarters staff there.

Wada says another Japanese law, which prohibits the establishment of holding companies in Japan, was the main reason for this surprising move.

Some have suggested that another reason was Yaohan's interest in developing China both as a market and a source of goods, but Wada denies it. "We are not thinking about China at the moment. If the GDP per capita became $1,000 a year, that would be the base for us, I think, but it will not happen till the 21st century."

In the past couple of years, the group has diversified into property development, and is planning shopping centres and resorts in the US, Canada and Malaysia.

Perhaps its most interesting project is a Japanese-style hotel now under construction in New Jersey. The customary huge public bath will be installed on the third floor from where bathers will be able to enjoy breathtaking views of Manhattan.

Profits from foreign operations are still "small" compared with the Japanese stores, but Wada says some stores, especially the one in Hong Kong, are very successful, and he is confident that profits from foreign operations will soon be better than those in Japan. "We succeed because we try to become a local company in each country. We do not spend our time thinking about what is happening in Japan," he says.

As might be expected, Wada's background is a bit unorthodox as well. The son of a small grocer, he initially resisted family pressure to take over the business, wanting to become a diplomat. While studying economics at university he was a member of the Communist Party for two years. When he left, he entered the family business.

Under his mother's direction, he joined a religious group called Seicho no ie, or Humanity Enlightenment Movement. According to Wada, it combines elements of Buddhism, Christianity and Shintoism and emphasises the infinite potential of people if they co-operate to create harmony.

Wada still gets up at 4am every day and does 30 minutes of zazen meditation. "I pray for the happiness of my employees and the growth and prosperity of the countries in which we operate," he says.

These sentiments are not just posturing. Wada has shown his concern for his Japanese employees in a number of ways, most recently by putting them on a four-day week, something unheard of in workaholic Japan. "Since a lot of our customers come to the stores at the weekend, we have to ask our employees to work then. But we give them three days off during the week."

Thus, although retail groups rank low in the minds of male university graduates as prospective employers, Yaohan has no trouble attracting good people. "This year we employed 300 university graduates from 9,000 applicants," he says. The wages he pays are only slightly better in some categories than his competitors, but mainly about the same.

It would be nice to be able to report that Wada was an example of a new type of Japanese businessman, global in outlook, entrepreneurial in spirit. He is not a young man and there are few like him in Japan. But the fact that he has succeeded indicates that not every nail in that country gets hammered in.

Corporate alliances

The path for career couples?

Guy de Jonquières assesses the most effective approaches

A company's ability to meet its needs from its own resources was once a measure of its market power. No longer. In recent years, even large groups such as General Motors, IBM and Siemens have swallowed their pride and turned to independent partners to help strengthen existing businesses or enter new ones.

Their enthusiastic search for allies is part of an accelerating worldwide trend. In almost every business sector, traditional relationships between competitors, suppliers and customers are being rapidly redefined as companies weave increasingly complex networks of alliances, both nationally and across borders.

This explosion of activity is the result of powerful economic and technological forces, which have conspired to produce a more fluid and unpredictable business environment. In a world where swift reactions are vital to commercial survival, alliances can offer a simpler and more effective alternative to organic growth or acquisition.

However, as a newly-published study* from Business International emphasises, alliances are not a magic bullet which will unerringly hit the target. Indeed, unless skilfully selected, structured and managed, they can rebound on the companies involved, damaging their mainstream businesses.

The past decade has seen some outstanding successes, such as the CFM jet engine joint venture between General Electric of the US and Snecma of France. But there have also been severe disappointments, such as American Telephone and Telegraph's now defunct alliance with Olivetti of Italy. Some projects, such as the proposed merger between the Dutch Amro Bank and Belgium's Société Générale de Banque, were aborted soon after they were launched.

To use alliances effectively, companies need to take a fresh look at their business and develop special skills. As the report puts it, they must become "chameleons", adept at responding to fast-changing competitive conditions and equipped to manage a diverse portfolio of business interests which they do not fully control.

"Despite their great variety, alliances can be categorised, obey certain rules and be managed," the report says. It distinguishes broadly between "trading" alliances, in which companies typically remain at arm's length and simply exchange assets, and "functional" ones, which involve a pooling of assets and more intensive integration.

Relationships between the companies involved also vary. Some, such as the collaboration between the Swedish-Swiss ABB and Rolls-Royce in power-generating equipment, are between "conventional couples" which compete in different parts of the same business.

Others are "career couples", direct competitors which team up to take on the world, as Air France and Lufthansa have done in air transport; still others, such as American Cyanamid and Britain's Celltech, are "odd couples", drawn from wholly different business backgrounds.

Then there is the "just good friends" partnership, typically formed by companies such as Japan's Suntory and Britain's Allied-Lyons, which compete in the same products but in different parts of the world. Finally, there is the "shot-gun wedding", precipitated by the threat of hostile takeover.

In each case, the promise of connubial bliss harbours risks for the unwary. At their mildest, these amount to a dwindling commitment to the joint enterprise. At worst, they may lead to direct conflicts of interest which cause the partners to turn against each other.

The report insists that finding the right formula for managing alliances is more important to their success than defining their precise legal structure. Yet research by consultants Coopers and Lybrand has found that companies spend less than 10 per cent of the negotiating time on management questions.

Companies which do much of their business through alliances need to assess whether they involve a loss of competitive advantage, and if so, whether they are worth it. The alliance's strategy and each partner's precise strengths and contributions should be defined at the outset. It should also have a limited lease and be regularly reviewed.

The value of an alliance depends, above all, on the partners' ability to learn from it – a point underlined by a survey of international companies by SRI International. More than 40 per cent of the companies said the main reason for forging alliances was to exploit partners' technology, while less than 20 per cent cited market access. The most frequent problem mentioned was achieving value for money.

The report recommends several ways in which companies can guard against losing more than they gain. They can build walls around their own technology, insist that both partners commit valuable capital and technology to a semi-autonomous joint venture or use the technology generated by an alliance to build up their own competitive advantage.

Companies need to steer a course between the extremes of relying too heavily on individual alliances and of failing to take full advantage of the alliance's resources. In jet engines, GE avoided the former trap by forging parallel link-ups in competition with CFM and constantly reminding the joint venture that GE was backing other horses as well.

Capturing the full benefits of an alliance and ensuring that they are used effectively is, however, a more complex challenge. The keynote is flexibility on the part of parent companies, which need to view alliances as dynamic, constantly evolving enterprises, and organise themselves so that they can respond rapidly to new developments.

The report finds that western companies have much to learn from the Japanese. Not only have the latter long been more active in initiating alliances, but they have also been much more assiduous in extracting the benefits.

Western failings are well-illustrated by Xerox's joint venture with Fuji of Japan. Only long after Japanese competition in low-cost copiers had become a serious problem did Xerox realise that Fuji could provide the manufacturing skills and technology needed to mount a counter-attack.

* See today's Business Column.

LEGAL COLUMN

Brittan calls for treaty where competition policies clash

By Robert Rice, Legal Correspondent

IN NEW YORK last week, Sir Leon Brittan, EC Competition Commissioner, called for early negotiation of a treaty or bilateral agreement between the US and the EC to prevent and resolve potential conflicts of jurisdiction over competition policy and anti-trust matters.

Emphasising the EC's commitment to a strong competition policy, Sir Leon said some form of agreement was needed to provide for consultations, exchanges of non-confidential information, mutual assistance, and best endeavours to co-operate on enforcement where policies coincide and resolve disputes where they do not.

Wherever possible, only one party should exercise jurisdiction, he said. In order to achieve that, it would be necessary for one party to agree to waive jurisdiction in certain defined circumstances and for the other, in exercising its jurisdiction, to take full account of its partner's views and interests.

The spur for Sir Leon's call is the risk of EC-US conflict over mergers involving multinationals

If both sides chose to exercise their jurisdiction concurrently they should each take account of the other's concerns and seek to adapt remedies accordingly.

The internationalisation of business was taking place so rapidly, Sir Leon said, that there was not much time left for the negotiation of such an agreement.

It is the second time in as many months that Sir Leon has turned to this theme. The spur, undoubtedly, is the potential for conflict between the EC and the US in particular, over the correct approach to large multinational mergers once the new EC merger regulation comes into force in September.

All the same, his concern underlines the importance he attaches in general to greater co-operation in this field with the EC's main trading partners.

The EC's principles on competition policy are largely shared by the its leading trading partners, so confrontations are rare.

As Sir Leon quipped in February, there are more proposed solutions to problems of international anti-trust conflicts than there are individual cases where conflicts have arisen.

There is no desire to offer solutions to difficulties that do not exist but while conflicts may be rare now, in a business world characterised by falling barriers to trade and the integration of markets, disagreements will inevitably increase in the years ahead.

In the drive towards internationalisation, the 1980s witnessed a huge increase in foreign direct investment through greenfield projects, and cross-border mergers and acquisitions, as businesses looked for growth outside the confines of their domestic markets.

Outward investment from countries in the Organisation for Economic Co-operation and Development rose from $244.6bn (£150bn) in the 1970s to $419.3bn between 1981 and 1988. Inward investment increased from $79.9bn to $107.5bn. Since 1986 direct investment has grown two and a half times to three times as fast as merchandised trade within the OECD.

The 1980s also saw the emergence of a number of regional groupings within the international economy. The clearest exaamples are the single European market and the free-trade agreement between the US and Canada and the deal proposed between the US and Mexico.

Japan also emerged as the leader of a third, Asian-based, group of economies. In Europe, the EC's relations with the European Free Trade Association markets are coming closer together.

One concern is that such regroupings of national economies will give rise to a new form of regional protectionism based not on the traditional protectionist measures of the eighties, such as quantitative import restrictions and anti-dumping actions, but on regional or trading bloc competition policy.

The EC's commitment to competition policy has never been stronger – witness the adoption of the new merger regulation. In the US, there are signs of a more active anti-trust enforcement policy from the Bush Administration.

Sir Leon's view is that, with the best will in the world, the US and the EC are sooner or later going to take different views of a multinational competition case, and if it is not the US it might as easily be Sweden, Australia, Canada or Japan.

He quotes Lord Wilberforce in the 1978 Westinghouse case: "It is axiomatic that in anti-trust matters the policy of one state may be to defend what it is the policy of another state to attack." The recipe for conflict is obvious, he says, and therefore there must be an interest in devising solutions.

Not everyone agrees with his approach. It is widely accepted that states should exercise jurisdiction in competition cases with a foreign element only to the extent permitted by international law.

That has led some people to advocate that, rather than drawing up specific competition treaties or agreements, general rules of international law should be developed to circumscribe the way in which territorial jurisdiction is exercised in competition matters, such as the principles of non-interference and comity.

Blocking statutes arose through fear of the US exercising jurisdiction where a case has a foreign element

A rule of non-interference would prohibit a state from applying its law if the regulatory interests it is pursuing are outweighed by the interests of a foreign state that is likely to be seriously injured by measures to be taken under the law concerned. That would be extremely difficult to apply in practice, and there is considerable disagreement as to whether the principle really amounts to a rule of international law in the first place.

Comity is undoubtedly a principle rather than a rule and is already observed by the EC in competition matters inasmuch as it may be defined as "an expression of the obligations of states to exercise moderation and restraint in exercising jurisdiction in cases with a foreign element and to take due account of the law and interests of other states in such cases."

Sir Leon clearly feels that general rules and principles will not be enough to ensure that different jurisdictions come to the same conclusion about the same case, and therefore something further needs to be done to ensure greater co-operation in this area.

The EC already has a number of bilateral agreements providing for comparable competition rules and consultative mechanisms but, all around it, countries such as South Africa, Australia, the UK, France and Canada have adopted "blocking statutes" – largely because of fears of the US exercising jurisdiction over issues with a foreign element.

Such blocking statutes vary in content but their purpose is broadly the same: namely, to protect their companies from foreign law enforcement, usually in respect of such matters as production of documents and other discovery procedures.

Specific agreements between the US and foreign countries on anti-trust such as those with West Germany (1976), Australia (1982) and Canada (1984) are more encouraging, Sir Leon says.

Within the EC, France and Germany signed such an agreement in 1984. None of them should provide a model, he says, but they all show the desire for co-operation and avoidance of confrontation that must be the hallmark of the future.

As the EC moves towards the single market, the issues that concern it will inevitably become more international. Competition policy has to face up to the challenges of an increasingly interdependent world.

Sir Leon's view, one which incidentally is backed by Mr Jacques Delors, the Commission President, is that the only way forward lies in a combination of proper respect for international law, politically responsible exercise of self-restraint and regard for others, and comprehensive bilateral treaties negotiated between the world's free-market trading powers.

In the absence of a worldwide competition authority and the unlikelihood of one emerging in the foreseeable future, it is difficult to disagree.

UK pavilion building at Spanish exhibition

TRAFALGAR HOUSE CONSTRUCTION MANAGEMENT has won two orders - a £14m contract for construction of the UK Pavilion for Expo '92 in Seville, Spain; and the management contract for a £5.3m district service centre for the Midland Bank at Coventry.

The British Pavilion will be one of the largest at Expo '92, which is expected to attract 40m visitors. The pavilion, a tubular steel and glass structure, covers over 6,000 sq metres (about the size of Westminster Abbey). It will be built in the UK then shipped to Spain in kit form.

Work has started on the Midland Bank building which is a 40,000 sq ft (430 sq metres) two-storey structure providing high-technology offices and amenities.

Midlands hospital project

TAYLOR WOODROW CONSTRUCTION (MIDLANDS), in joint venture with William Steward and Co and Daley Heating Contractors, has been awarded a £20m contract to construct a building at the Burton District Hospital Centre, for the West Midlands Regional Health Authority.

Covering some 18,000 sq metres, the building is to be generally of two storeys and will provide space for up to 370 beds including 58 for maternity use. The project will commence in April and completion is scheduled for early in 1993.

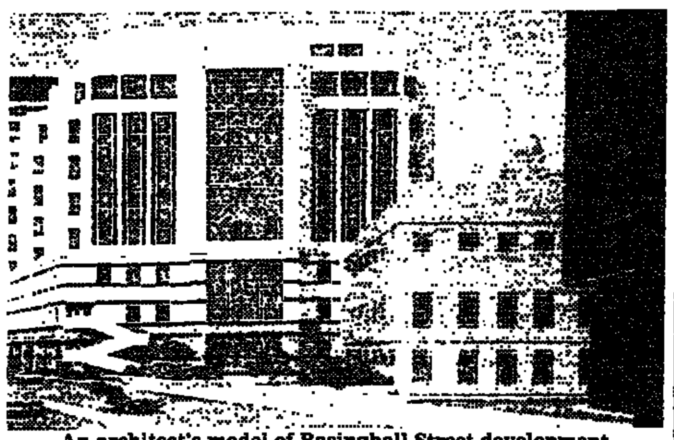
CONSTRUCTION CONTRACTS

£40m City of London offices

MOWLEM BUILDING has been awarded a £40m fast-track office development contract at 55 Basinghall Street, EC2 by joint developers Wates City of London Properties and Prudential Portfolio Managers.

The main construction contract involves a 12-storey steel frame structure with composite metal and concrete floor slabs, granite faced and double glazed aluminium windows and curtain walling.

The complex will contain two levels of basement with car parking, offices and plant rooms. The ground floor includes entrances to office areas and to a new City business library. The structure will be built around a central glazed atrium.


An architect's model of Basinghall Street development

The Basinghall Street project has been designed to provide eight spacious upper office floors incorporating full air conditioning, raised access floors and suspended ceilings. Mowlem Building has started work and completion is scheduled for September next year.

Motorway construction in Scotland

The northern construction division of **BALFOUR BEATTY CONSTRUCTION** has been awarded a £22.1m order by the Scottish Development Department to construct the first section of the M74 between Millbank and Nether-Abington.

The Millbank to Nether-Abington motorway scheme is located south of junction 12 on the M74 motorway passing east and north of the A74 in the Strathclyde region to connect with the A74 trunk road, north of Abington.

Work comprises the construction of about 11.5 kilometres of three-lane motorway with 11 metres wide carriageways, central reserves of 4 metres in width and 3.3 metres wide hard shoulders.

The south west region of the Department of Transport has awarded the southern roads unit the £10.7m A30 Plusha-Bolventor road improvement contract.

The scheme comprises the upgrading of about 8km of single carriageway to dual carriageway and the provision of by-passes to the hamlet of Bolventor (where the famous Jamaica Inn of Daphne du Maurier fame is located) and the villages of Five Lanes and Trewint.

The contract also includes about 560,000 cu metres of excavation, the construction of four reinforced concrete bridges, two precast culverts, drainage, side roads, signing and fencing works commences in April and is programmed to take 65 weeks.

Fitting out Meadowhall store complex

BOVIS CONSTRUCTION (NORTHERN DIVISION), a P&O company, has been awarded an £8.2m contract by House of Fraser (Stores) to fit out its 96,000 sq ft store in the Meadowhall development outside Sheffield.

The store, which will become the flagship for the House of Fraser Group in the North, has been planned and styled by American interior design specialist Hambrecht Terrell International.

The ground floor will provide 32,410 sq ft of retail sales area while the first floor will provide 43,030 sq ft of retail space. Work started in November to lay the floor screeding for the marble walkways on both floors.

Utilising a combination of hard and suspended ceilings, a sprinkler fire protection system, air conditioning and mechanical and electrical services will be installed throughout the store.

Academic workload for Brazier & Son

School and college building contracts valued at over £7m have been awarded to **BRAZIER & SON**. The contracts include the following: At Reading University Brazier is at work on a £2.73m contract for a microbiology building scheduled for completion in July 1991. The two-storey development comprises some 2,785 sq metres and is to be linked to university buildings. At Ascot the group has a £1.35m contract designed by the PSA for an accommodation block at the Civil Service College, Sunningdale Park. Listed oast houses at the Lord Mayor Treloar College, in Alton, are being converted in a £800,000 contract into teaching accommodation for disabled children and residential accommodation.

DIARY DATES

PARLIAMENTARY

Today

Commons: Human Fertilisation and Embryology Bill, second reading.
Lords: Gaming (Amendment) Bill, third reading. Law Reform (Miscellaneous Provisions) (Scotland) Bill, committee.
Select committees: Public Accounts: subject, Customs account matters. Witness: Mr J.B. Unwin, head of Customs and Excise. (Room 16, 4.30 p.m.)
Agriculture: subject, public spending. Witness: Mr John Gummer, Minister for Agriculture. (Room 6, 5 p.m.)

Tomorrow

Commons: Social Security Bill, conclusion of remaining stages.
Motion on NHS Regulations on Charges for Drugs and Appliances.
Lords: National Health Service and Community Care Bill, second reading.
Select committee: Treasury and Civil Service: subject, the Budget. Witness: Mr John Major, Chancellor. (Grand Committee Room, Westminster Hall, 4.30 p.m.)
Committee on a private bill: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

Wednesday

Commons: Education (Student Loans) Bill, consideration of Lords amendments.
Lords: Debate on "Social, financial and environmental problems in cities."
Question to Government on action to reduce illiteracy among school-leavers.
Select committees: Foreign Affairs: subject, status of the two Germanies. Witnesses: Mr Douglas Hurd, Foreign and Commonwealth Secretary, and officials. (Room 6, 10 a.m.)
Trade and Industry: subject, trade with EFTA. Witnesses: DTI officials. (Room 15, 10.45 a.m.)
Energy - subject: Mining subsidence. Witnesses: British Coal and Department of Energy officials. (Room 8, 11 a.m.)
Public Accounts: subject, revenue account matters. Witness: Chairman of the Inland Revenue. (Room 16, 4.15 p.m.)
Social Services: subject, community care. Witnesses: Mr Ian Grist, Welsh Under-Secretary, and Association of County Councils. (Room 6, 4.15 p.m.)
Committee on a private bill: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

Thursday

Commons: Adjournment debate.
Lords: Criminal Justice (International Co-operation) Bill, Commons amendments.
Contracts (Applicable Law) Bill, report.
Debate on the European Communities Committee reports on border controls.
Aviation and Maritime Security Bill, second reading.

FINANCIAL

TODAY
COMPANY MEETINGS-
Allied Textile, Registered Office, Highburton, Huddersfield, 12.00
Chester Waterworks, Aqua House, Boughton, Chester, 12.00
Updown Investment, 12 Tokenhouse Yard, E.C., 4.00
BOARD MEETINGS-
Finals:
Abbeycrest
Bilton (Percy)
Finlay Packaging
Edinburgh Fund Managers
Gowrings
Handley-Walker
Home Counties Newspapers
Inchcape
Jerome (S.)
Kleinwort Benson Gilt Fund
Metsec
North British Canadian Inv.
Spirax-Sarco Engineering
Sunleigh
Watts, Blake & Bearne
Wescol
Interims:
Barry Wehmiller Intl.
Lucas Industries
DIVIDEND & INTEREST PAYMENTS-
AAH 4.2% Prf. 2.1p
ABB Kent 6% Deb. 88/93 3pc.
Do. 7¾% Deb. 88/93 3.875pc.
Allied Textile 7.4p
BOC 12¼% Uns. Ln. 2012/17 6.125pc.
Bank of Wales 13½% Uns. Ln. 95/97 6.75pc.
Baxter International 16cts
Birmingham Mint 6% Non-Prf. 2.1p
Bournemouth & District Water 3.5% Ord. 1.75pc.
Bullough 4.3p
Caffyns 6½% 1st Prf. 2.275p
Do. 10% Prf. 5p
Central Motor Auctions 2.25p
Chester Waterworks 4.2% Ord. 2.1p
Do. 3.15% Prf. 1.575p
Crest Nicholson 5½% Cnv. Prf. 2.75p
De Morgan 1.375p
Dewhurst 1.5p
Do. "A" N.V. 1.5p
East Surrey Water 5.428% Prf. 1.937205p
Eastbourne Water 8⅜% Prf. 1995 4.1875p
Erskine House 7.25p Prf. 3.625p
Fleming Far Eastern Inv. 4½% Prf. 1.575p
Do. 5% Prf. 1.75p
Fleming High Income Inv. 1.3p
Forminster 5.5p
Gartmore American Securities 0.9p
General Cons Inv. 5.46p
Gopeng Berhad 1cts
Hambros 7.5% Cnv. Prf. 3.75p
Hamilton Oil 48.75cts
Hampson Industries Cnv. Prf. 91/2003 3.25p
Heywood Williams Cnv. Prf. 3.375p
Hicking Pentecost 0.5p
Jarvis 0.825p
Lovell (Y J) 6.75p
Low (Wm) 6.75% Cnv. Prf. 3.375p
M L 0.85p
Maxwell Communication 6.5p
Menzies (John) 3.25p
New Zealand Inv. 1.5p
Parkway 2.25p
Peel 9⅞% 1st Mtg. Deb. 2011 4.9375pc.
RCO 5.4p
Rickmansworth 2.8% Prf. 1.4p
Do. 4% Deb. 2pc.
Do. 7½% Deb. 91/93 3¾pc.
Scantronic 5.75% Cnv. Prf. 2.875p
Sears & Roebuck 50cts
Stewart & Wight 0.75p
Sutton District Water 4.9% Prf. 2.45p
Do 7% 3.5p
TR Far East Income 1p
Tamaris 8½% Cnv. Prf. 2003 4.25p
Unigroup 7¼% Cnv. Prf. 3.853p
Unitech 4.2p

TOMORROW
COMPANY MEETINGS-
McAlpine (Alfred), Chester Intl. Hotel, Chester, 12.15
Throgmorton Trust, Barbican Centre, E.C., 12.00
BOARD MEETINGS-
Finals:
Arley
Bodycote Intl.
Boxmore Intl.
City Centre Restaurants
Delaney
Harring Son & Daw
Ipeco Hldgs.
Johnston Group
Magnolia
Meggitt
Ocean
Ross
Sema
Sintrom
Sun Alliance
Worcester
Interims:
A.B. Electronic
Air London Intl.
Bennett & Fountain
Barrett (Henry)
TIP Europe
DIVIDEND & INTEREST PAYMENTS-
ASDA 1.85p
Associated British Consultants 2.2p
Brooke Tool Engineering 1.175p
Carclo Engineering 10½% Prf. 5.25p
Eve 2.5p
Updown Inv. 9p

WEDNESDAY APRIL 4
COMPANY MEETINGS-
Fleming American Investment Trust, 25 Copthall Avenue, E.C., 12.00
BOARD MEETINGS-
Finals:
Ash & Lacy
Avonmore Foods
Boustead
Butler Cox
Cluff Resources
Harrisons & Crosfield
LEC Refrigeration
Serif Cowells
Sherwood
Tilbury
Wilson Connolly
DIVIDEND & INTEREST PAYMENTS-
Aerospace Engineering 1.56p
Burtonwood Brewery 7% Prf. 2.45p
Folkestone & District Water 7% Ord. 3.5pc.
Do. 4.9% Ord 2.45pc.
Do. 3.5% Ord. 1.75pc.
Gestetner 6p
Second Alliance 11p
Do. 4½% Prf. 1.575p
Sinclair (William) 1.5p
Smith (W.H.) 4p
Do "B" Ord. 0.8p
Taveners 1.5p
Throgmorton Dual Trust 2.75p
Throgmorton Trust 2.38p
Usher (Frank) 2p
Wood (John D.) 1.5p

THURSDAY APRIL 5
COMPANY MEETINGS-
Anglo & Overseas Trust, Barber-Surgeons Hall, Wood Street, E.C., 12.00
Ansbacher (Henry), Priory House, E.C., 11.45
Crest Nicholson, Runnymede Hotel, Egham, Surrey, 12.00
Grahams Rintoul Investment Trust, General Council of Shipping, 30-32 St. Mary Axe, E., 12.30
Sedgwick, Chaucer Theatre, Sedgwick Centre, E., 12.00
Yelverton Investments, The Westbury Hotel, Conduit Street, Mayfair, W., 11.30
BOARD MEETINGS-
Finals:
APV
Associated Fisheries
CSC Inv. Trust
Filofax
Laird
London & Manchester
Oliver
Queens Moat Houses
RKF
Vinten
Interims:
Beckman (A)
Magnetic Materials
Save & Prosper Sterling Deposit
UDO
DIVIDEND & INTEREST PAYMENTS-
Birse 0.25p
Bradford Property Trust 10½% Prf. 5.25p
Do. 7% Uns. Ln. 92/97 3.5pc.
CRH 7% "A" Prf. 2.52p
Cooper Clarke 1.5p
Drayton Far Eastern 1.8p
Dyson (J. & J.) 2p
Do. "A" N.V. 2p
Edinburgh Inv. 5¾% Deb. 1988 2⅞pc.
English & Scottish Investors 2.1p
Do. "B" 0.021875p
Do. 5% Prf. 1.75p
Funding 5¾% Ln. 87/91 2.8p
Galliford 0.95p
Goring Kerr 10p
Lawtex 0.5p
M. & G. Australasian & General 0.65p
Scottish American Inv. 0.9p
Securicor 1.076p
Do. "A" N.V. 1.076p
Do. 6½% Prf. 23.538p
Security Pacific Sub. Fltg. Rate Nts. 1992 $215.63
Treasury 8% Ln. 2002/06 4pc.
Waste Management 8cts
Watney, Mann & Truman 3¾% Irrd. Deb. 1.875pc.
Do. 4¼% Irrd. Deb. 2.125pc.
Yelverton Invs. 1p
Yeoman Inv. 1.25p

FRIDAY APRIL 6
COMPANY MEETINGS-
Campari International, International House, Staples Corner, N.W., 12.00
Heywood Williams, Forte Hotel, Brighthouse, W.Yorks., 11.45
BOARD MEETINGS-
Finals:
Aegon NV
Baird (William)
Betacom
Breedon
Dewson
Elys (Wimbledon)
Jacks (William)
Interims:
Audit & General
Star Computer
DIVIDEND & INTEREST PAYMENTS-
Ashtead 1p
Avesco 0.5p
BWD Securities 2.75p
Baldwin 1.4p
Bampton Property 7¾% Uns. Ln. 91/96 3.875pc.
Banks (Sidney C.) 2.5p
Barbour Index 2p
Barr (A.G.) 9.75p
Bellway 9.5% Prf. 2014 4.75p
Brunner Inv. 2.05p
Camford Engineering 5p
Carlton Communications 6.3125p
Cantex 10cts
Chrysalis 2p
Clarke (Hooper) 1.6p
Clark (Matthew) & Sons 5.75p
Colefax & Fowler 1.3p
Colman (E.Alec) Invs. 9% 1st Mtg. Deb. 87/92 4.5pc.
Company of Designers 2.25p
Countryside Properties 2.7p
Courts (Furnishers) 1.83p
Crosby (James) 1.25p
Crown Communications 3.6p
Dale Electric International 2p
Dalepak Foods 1.035p
Electronic Data Processing 1.95p
English & Caledonian Inv. 1p
English China Clays 13p
Fletcher Challenge 11.5cts
GWR 9p
Gibbs Mew 2p
Gold Greenlees Trott 3.3p
Greenall Whitley 7% Irrd. Uns Ln. 3.5pc.
Do. 8⅛% Irrd. Uns. Ln. 4.0625pc.
Grovewood Securities 2p
Harvey & Thompson 5p
Hawtin 0.75p
Hey & Croft 1.8125p
Hill & Smith 3.45p
Jacques Vert 4p
Kelt Energy 6% Cnv. Prf. 3p
Kershaw (A.) 17.5p
Do. "B" Prf. 1.98875p
London International 2.7p
Lonbro 11p
McMullen & Sons 6½% Prf. 3.25p
Do. 10½% Prf. 5.25p
Manganese Bronze 3.5p
Microgen 4.5p
Mid Wynd Inv. 1.7p
Moorfield Estates 2.55p
Mosaic Invs. 3p
Mountleigh 1.25p
Needler 7.31cts
PWS 1.5p
Peel 3p
Pepe 2.5p
Photo-Me International 1.2p
Porter Chadburn 0.725p
Premark International 21cts
Rank Organisation 20.5p
Ransom (William) 0.525p
Ricardo 1.9p
Rush & Tompkins 4p
Saatchi & Saatchi 1.6p
Do 6.3% Cnv Prf. 3.15p
St. Mowden Properties 1.4p
Saville Gordon (J.) 0.5p
Schlumberger 30cts
Securiguard 5.2p
Selective Assets 0.66p
Sturge 10p
United Scientific 2p
Whitbread 9% Uns Ln. 97/2001 4.5pc.
Whitegate Leisure 0.25p
Willoughby's Consolidated 3p
Witan Inv. 2p
Wyko 1.4p

SATURDAY APRIL 7
DIVIDEND & INTEREST PAYMENTS-
Gardiner 0.6p
KLP 5p
Tranwood 1.25p

Trade fairs and exhibitions: UK

April 2-16
International Festival of Science & Technology (031-228 4756)
Edinburgh

April 3-5
International Conveyors & Conveyor Components Exhibition – CONVEYOREX (0895 58431)
Harrogate

April 3-5
Fashion Fabrex – FABREX (01-244 6433)
Olympia

April 3-7
International Construction Equipment Exhibition – ICE (01-637 2400)
Wembley Conference Centre

April 8-9
International Health Food Exhibition – HELFEX (0483 428450)
NEC, Birmingham

April 9-11
Cable and Satellite Exhibition (01-486 1951)
Olympia

April 12-20
International Boat Show (0752 60058)
Bristol

Overseas exhibitions

Current
International Hotel and Catering Exhibition – INTERGASTRA (01-236 0911) (until April 5)
Stuttgart

April 3- April 5
Packaging Exhibition – PAKEXPO (Dublin 884939)
Dublin

April 4-7
Electronics Industry Exhibitions – EIE/SMT/ECA (0494 729406)
Hong Kong

April 5-8
International Telecommunication, Electrical, Electronic, Computer Systems Technology Exhibition and Conference (01-639 7265)
Bangkok

April 9-11
Eurofreight Exhibition and Conference (01-642 7688)
Brussels

April 17-20
International Gifts and Houseware Fair (01-828 1661)
Hong Kong

April 18-21
International Electronic Packaging Show – INTERNEPCON CHINA (01-940 3777)
Beijing

April 24-26
International Clothing Textiles Trade Fair – INTERSTOFF (01-734 0543)
Frankfurt

Business and management conferences

April 4-6
Financial Times Conferences: Venture Forum Europe '90 (01-925 2323)
Hotel Inter-Continental, Paris

April 5-6
Frost and Sullivan: Information technology – Advanced packet switching (01-730 3438)
London

April 6
CBI Conferences: The lawyer and you – in-house or external legal services? (01-379 7400)
Centre Point, London

April 9-13
Management Centre Europe: Competitive marketing strategies (Brussels 32 2 516 19 11)
Brussels

April 10
BDPA: The Food Bill, Food Hygiene and Catering Disposables (01-437 0678)
London

April 18-20
BIS CAP International: European ink jet printing conference – Growth prospects in the 1990s (Amsterdam 31-20-26-88-66)
Amsterdam

April 18-19
National Economic Development Office: Go public the opening up of the public sector market place in the 1990s (01-217 4056)
Queen Elizabeth II Conference Centre, London

April 19
Tolley Conferences: What every pension fund trustee should know (01-680 5682)
London Press Centre

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

PUBLIC NOTICES

FLASH TRASH LIMITED
IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given, pursuant to Section 48 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at the Crest Hotel, 641 Dunstable Road, Luton, Bedfordshire on Friday 6 April at 10.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said section and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the Meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the Company as a Security held by him (unless that person is subject to a bankruptcy order or in liquidation). Creditors wishing to vote at the above Meeting must lodge a written statement of their claims with us at Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF no later than 12 noon on 5 April 1990. Forms of proxy, if intended to be used, must be lodged with us that time.

P W Wallace
Joint Administrative Receiver

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No. 28 ST. ANDREW SQUARE, EDINBURGH on Thursday, 19th April 1990 at 12:30 p.m. to consider the Accounts and Balance Sheet and Reports of the Directors and the Auditor, to elect Directors, to determine the remuneration to be paid to the Directors and the re-appointment of the Auditor.

A member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
D.A. BERRIDGE
28 St. Andrew Square EDINBURGH
Chief Executive

CORRECTED NOTICE

CITY OF MONTREAL

3% PERMANENT DEBENTURE STOCK
NOTICE IS HEREBY GIVEN that the Transfer register will be closed from 9 April 1990 to 30 April 1990 both dates inclusive
THE ROYAL BANK OF SCOTLAND plc

Registrars
Registrar's Department
29 Gresham Street
London EC2V 7HN

LEGAL NOTICE

CONTINENTAL CAR RENTAL (UK) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48 (2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, Apex Plaza, Forbury Road, Reading at 10.00 am on 24 April 1990 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
Creditors whose claims are wholly secured creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 1200 hours on 23 April 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admittedunder the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date: 26th March 1990N J Vooght
Joint Administrative Receiver

BURBRIDGE PRINTERS LIMITED

Registered number: 2358704
Former company name: Candlegow Limited
Trading name: Burbridge Screen and Litho Printers Limited
Nature of business:- Silk Screen Printers
Trade classification: 10
Date of appointment of joint administrative receivers:- 23 March 1990
Name of person appointing the joint administrative receivers:- National Westminster Bank
JOHN FREDRICK POWELL and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 248 and 141)

Cork Gully
43 Temple Row
Birmingham B2 5JT

NOTICE OF APPOINTMENT OF LIQUIDATOR

Company Number: 253519
Name of Company: Gartmore Information and Financial Trust plc
Previous Names of Company: London & Lomond Investment Trust PLC
Nature of business: Investment Trust
Address of Registered Office: Gartmore House, 16-18 Monument Street, London EC3R 8QQ
Liquidator's name and address: Margaret Elizabeth Mills, Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NH
Office holder number: 5318Date of Appointment: March 16, 1990
By whom appointed: Members.

NOTICE TO CREDITORS
GARTMORE INFORMATION AND FINANCIAL TRUST PLC

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required, on or before April 20, 1990 to send their names, addresses and particulars of their claims to the undersigned, Margaret Elizabeth Mills, of Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, the liquidator of the said company, and, if so required by notice in writing from the said liquidator, are personally or by their solicitors to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such claims are notified.

March 19, 1990

M E Mills
Liquidator.

APEX PRINTERS LIMITED

Registered number: 2308253
Nature of business: Jobbing Printers
Trade classification: 10
Date of appointment of joint administrative receiver: 23 March 1990
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
JOHN FREDERICK POWELL and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder most 249 and 141) Both of
Cork Gully
43 Temple Row
Birmingham B2 5JT

Never the Sinner

PLAYHOUSE THEATRE

Three years ago the brave and much-missed theatre beneath the Off-Stage Bookshop in Chalk Farm mounted the British première of John Logan's 1985 play about the Leopold and Loeb murder case. In the cramped intimacy of the basement the production exercised a baleful spell, allowing the actors' subtlest shades to tell, and winning an award for its cast.

In association with the Northcott, Exeter, a new production has opened near Charing Cross, a welcome return for an endlessly absorbing topic. The two scions of wealthy Chicago society who in 1924 murdered a boy as an intellectual and emotional exercise have inspired other works: notably Patrick Hamilton's play *Rope*, filmed by Hitchcock, and Richard Fleischer's film *Compulsion* in which Orson Welles appeared as the great advocate Clarence Darrow.

The study of the two would-be Nietzschean supermen has the fascination of watching a snake consume its prey – detached, cold, emotionless. Their victim was chosen by chance; their behaviour in court was callously indifferent; they apparently had no motive beyond detached curiosity. Geoff Bullen's production lays slightly greater emphasis on the sexual link between them than I remember in the fringe production. There all was so delicately implied as to leave much uncertain. The chief difference lies in the performance of Nathan Leopold, small, hyper-intelligent, sexually exacting.

In his British début Denis O'Hare recreates the role he played in the original production. Even the prim, buttoned-up and icily superior Leopold comes over more flamboyantly in the larger house: sullenly smouldering, lisping, just a hint of the faggoty stereotype to him, carefully controlling such impulsive physical movements as might betray desire or weakness, he suffers from looking considerably older than the historical teenager (and older than his partner in crime, the sunny and sportive Richard Loeb whom Ben Daniels invests with careless charm if not perhaps the ideal golden boy looks). For all its technical power the characterisation holds no mystery or surprise.

The piece works well as a fluid mixture of past and present in the framework of the courtroom where the boys stand trial. Sean Cavanagh's expressionistic set, black panelling receding in exaggerated perspective, is bathed in *film noir* shadows by Mick Hughes' lighting. The set-piece of the murder is chillingly effective: mimed, chairs standing in for the car, Babe Leopold wiping invisible spurts of blood from his face as Dickie strikes and strikes at an invisible victim.

The second act deals with the legal process: the generally forgotten plea of guilty that deprived the prosecution of a jury and turned the trial into a hearing merely to decide on punishment. Great chances for both prosecution – Julian Glover bringing immense conviction and dignity to an impassioned plea for the death penalty – and defence.

Joss Ackland is Darrow, a shambling, humanistic orang-utan, his speech mixing public relations (Illinois to be seen to *hang* two boys?) and a helpless humanity. Fine performances, a gripping story, and a wonderful ironic symmetry that ends with the boys' first meeting at a cocktail party, bored and ready for mischief. An intelligent import from the west country to the West End.

Martin Hoyle

Abingdon Square

COTTESLOE THEATRE

The arrival of Nancy Meckler's exquisite production at the National Theatre is an event for the record: a rare act of homage by the mainstream, subsidised establishment to the fringe theatre which has fed it so much over the years. By taking the product in its entirety, with only minimal alterations to the original Shared Experience and Soho Theatre Company team which premiered it at Soho Poly last summer, the National acknowledges the quality of the fringe's continuing advocacy of new work in a heartening way.

The play in question is a moody, contemplative piece by a 60-year-old Obie Award-winning Cuban, Maria Irene Fornes, who has developed from workshops in New York something with a distinctly Bostonian feel. Henry James himself could be turning the pages on this novelistic portrait of an early 20th century marriage between a benign elderly businessman and a tremulous young girl whose sexuality glows red beneath her virginal white frocks.

Fornes constructs the first act of her play around the withholding of information: who is Marion? Why has she married someone so old? And, to put it bluntly, do they have – have they ever had – sex? Juster's awe-struck delight at her pregnancy in the second act makes it clear that they must do, although his embraces are platonic and we suspect, with a suspicion that the father of the child is a glazier with whom she has the briefest of encounters.

From these half-solved mysteries emerges an almost unbearable domestic reality which enfolds with a delicate resonance all the contradictions of two basically good people locked in a disastrous mismatch. Marion's relationship with her stepson, the man she should have married, carries an innocent empathy that in the circumstances is deeply ironic; her husband's later reaction to the discovery that she has taken a lover is uncompromising but also compassionate. It is not cruelty but hopelessness that fuels his anger and keeps it stoked even after he has been confined to a wheelchair by an apoplectic stroke; likewise, it is not jealousy or disapproval that makes his son leave home, but an impossible sympathy for both

Lucy Weller's cool white design sets the characters in ice from which they emerge in brief, revealing tableaux which live through what is half-said or not said at all. Annabelle Apsion gives an remarkable account of sexuality sublimated through schoolgirl imaginings, her inner ardour proscribed by a daughterly affection for Philip Voss's deeply likable Juster, and a sisterly confidence in his son, Michael, played with a finely judged intensity by Pearce Quigley.

Claire Armitstead

Restoration of the mast house at Chatham Dockyard, which now houses the exhibition 'Wooden Walls'

ARCHITECTURE

Take a voyage into the past

There is an almost tangible melancholy about the Medway. Once the safe anchorage of the British Fleet as it lay off Chatham, today the river washes past the empty Dockyard where there are only naval ghosts left with their memories. As the train trundles down from London through Gravesend and Rochester it is hard to believe that you are in the prosperous south-east. The powerful keep of the castle at Rochester is a reminder of the old importance of the London/Dover road as the route to continental Europe. But the castle shares the view with the car breakers' yards and the ugly tin sheds of the retail revolution. There is a lurking suspicion that what life there is in the Medway towns may yet be undermined by the advent of the Channel tunnel.

The Government decision to close the Royal Dockyard in 1984 left one of the finest collections of early naval and dockyard buildings in the country without a very certain future. There was no question of demolition and a Chatham Historic Dockyard Trust was established with responsibility for 80 acres of the 420-acre site.

The Government passed to the Trust something of a poisoned chalice. Although the freehold of the 80 acres passed into their hands with the sum of just over £11m, there was clearly going to be a shortfall as the historic structures were in need of major repairs and restoration.

For years it had been impossible for anyone to see behind the walls of the Dockyard, but today all that has changed and serious efforts are being made to seduce the visitor and find ways of funding the complex and expensive restoration. Once you have escaped from the modern squalors of the town centre of Chatham it is a pleasure to slip through the sham fortifications of the main gate, passing beneath the brightly painted relief of the Royal Arms.

What you see is the 18th century nucleus of the yards and their attendant premises. It was Daniel Defoe who was so impressed when he visited in 1720: "The buildings here are like the ships themselves, surprisingly large, and in the several kinds beautiful."

Last week an important attraction opened at the dockyard. In the 18th century mast and mould house a permanent exhibition entitled *Wooden Walls* has been installed to tell the story of the creation of the great wooden ships of the British navy. It is one of the latest "heritage experiences" where you are invited to imagine yourself going back in time to enjoy a day in the dockyard in the company of a 15-year-old apprentice shipwright in the year 1758.

To the clang of bells you are "transported" into a dark back street of 18th century Chatham. Then you travel into the dockyard, meeting the naval Commissioners and, with the aid of the recent science of animatronics (the mobilsation of wax dummies so that they appear to move and talk), you learn about 18th century working life.

I was staggered by the scale and impressive authenticity of the restored building. The architects Caroe and Martin have skilfully kept the sense of a functional and disciplined timber framed building: the result is utterly authentic and has a powerful atmosphere.

With an estimated forecast income of £2.9m and some 95,500 visitors last year the trust has achieved a great deal. But the huge cost of restoring and maintaining all the monumental buildings is beyond their resources and demands more Government help. In fact, it is too easy for the Government to pass on their responsibilities for past neglect. The naval heritage and our debt to Chatham and the great ships of the line is a national one.

Colin Amery

It looks as though the future of listed buildings in conservation areas may be made safer by the decision of the three Appeal Court judges to overturn Mr Nicholas Ridley's consent to allow Mr Peter Palumbo to knock down eight listed buildings at the heart of the City of London. The appeal, fought nobly by Save Britain's Heritage, now puts the onus for consistency of conservation policy on Mr Ridley's successor as Environment Secretary, Mr Chris Patten.

At the time of Mr Ridley's consent, it always looked as though such a radical policy change was based on little more than *droit du seigneur*. The Appeal Court judges seem to agree. They ruled that Mr Ridley failed to give adequate reasons for his radical departure from a policy which clearly stated that demolition of a listed *building should not be given consent* unless every effort has been made to preserve it.

The fine set of 19th Century commercial buildings that Mr Palumbo wanted to destroy are about the last complete group left in the City of London. It has always been puzzling why Mr Palumbo has consistently refused to erect his new building on a less vulnerable site in the City. It is now clear that refurbishment is the right solution, instead of the proposed James Stirling design which Prince Charles described as looking like "a 1930s wireless."

It is widely known that Mr Patten, when asked about his predecessor's decision, has said that it was very much an aesthetic one. The minister has recently strengthened a planning guidance note sent to all local authorities, urging them not to become involved in aesthetic decisions. It is, therefore, unlikely that Mr Patten will take the matter any further, and, after considering the judgment, he is *likely to be advised to ask* Mr Palumbo to abide by the conservation legislation so resoundingly reinforced by the Court of Appeal.

Justinian, Page 38

Worldes Blis

FESTIVAL HALL

The BBC Symphony Orchestra under Ronald Zollman offered on Friday a splendid programme of Stravinsky and Goehr, and, at its centre, perhaps the hardest nut Peter Maxwell Davies has ever offered his listeners for cracking – *Worldes Blis*. The performers turned the work into a triumph: even if the "Max" Festival achieves nothing else, this act of rehabilitation should give the organisers justifiable cause for pride.

Worldes Blis, a "motet for orchestra," had a notorious first performance at the 1969 Proms. It was conducted by the composer, and greeted by a mighty audience exodus during its 40-or-so-minute course; and since then it has been very seldom revived. The piece is not just long but unbroken, made mainly of thinly scored material moving at a pace of extreme slowness, which is eventually disrupted by brief, fast-moving contrasts of ferocious violence. As a test of audience and orchestral stamina alike *Worldes Blis* can have few thornier rivals in the history of Western concert music.

The great thing about Friday's concert was that it put to flight the notion that because this music is difficult, and "extreme" in its style, character, and purpose, it is therefore a failure. In the nature of things *Worldes Blis* will not be a work one wants to hear very often (the composer, who gave a disarmingly frank spoken introduction to the performance, made clear its singular difficulty in the canon of his works).

But on Friday I was utterly persuaded that in every bar this is music that *has* to be the way it is. The experience it attempts to capture, a kind of spiritual "coming-into-being" against powerful negative forces (symbolised by the plainchant theme embedded in the fabric of the music and only emerging in full toward the end), allowed Maxwell Davies no alternatives. The bareness of the first paragraphs – strings prodded and punctuated by trombone – creates a climate of bleak urgency that wills the listener to be at once patient and expectant; and because Zollman and the BBC players were able to sustain every note with a sense of purpose, the vast, slow tracts of space and time were filled with a kind of spiritual intensity growing ever greater.

When it came, the violence is terrifying but necessary, and dramatically exact in placing. *Worldes Blis* was, as the composer himself reminded us, both the finale to his Expressionist period and the dark before the dawn of his Orkney-inspired compositions. It is obviously a work of charged personal significance. If the absence of walkers-out and the impassioned closing ovation are anything to go by, on Friday it was made to mean much to an audience as well.

Max Loppert

ARTS GUIDE

March 30-April 5

MUSIC

London

Chamber Orchestra of Europe conducted by Roger Norrington and Heinz Holliger. Short season includes Haydn, Beethoven, Shostakovich, Beethoven and Schumann (Sun-Sun). Barbican Hall (638 8891).

Paris

Orchestre Colonne conducted by Bertrand de Billy. David Lively (piano). Roussel, Tchaikovsky, Dvorak (Mon) Salle Pleyel (45638873).
Gwendolyn Bradley recital (Mon) Salle Gaveau (45632030).
Gerard Poulet (violin). Eugene Ysaye, J.S. Bach, Bartok (Tue) L'auditorium des Halles (40282828).
Orchestre de Paris conducted by Claus Peter Flor, François-Rene Duchable, piano. Weber, Schumann, Tchaikovsky (Tue, Wed) Salle Pleyel (45630796).
Madrigalists from Prague. Gallus, Monteverdi, Martinu (Tue) Opéra Comique (42868883).
Berlin Philharmonic Quartet: Mozart, Dvorak, Schubert (Wed) Salle Gaveau (45632030).
Alexis Weissenberg (piano). Franck, Schubert, Brahms, Scriabine (Wed) Théâtre des Champs Elysées (47209637).

Amsterdam

Netherlands Philharmonic with the Amsterdam Toonkunst Choir and soloists, Harmut Haenchen conducting. Verdi *Requiem* (Thur). Concertgebouw (718 345).
Vladimir Ashkenazy. Brahms, Schumann (Sun). Concertgebouw (718 345).

Utrecht

Utrecht Oratorio Society under Johan van de Camp. Bach *St Matthew Passion* (Tue). Vredenburg (31 45 44).
The Choir and Baroque Orchestra of the Netherlands Bach Society: annual series of performances of Bach *St Matthew Passion*, conducted this year by the Belgian counter-tenor René Jacobs (Wed). Vredenburg (31 45 44). Also in the traditional setting of Grote Kerk (Thur) (31 93 53).

Brussels

The Camerata Europaea conducted by Octavian Anghel with soloists performs Pergolesi's *Stabat Mater* and *La Serva Padrona*. Rumania Benefit Concert. (Wed). Théâtre Royal de la Monnaie.

Milan

Sonig Tchakerian (violin) and **G. Battista Rigon** (piano) playing sonatas by Beethoven and Brahms and de Sarasate's *Zingaresca* (Wed). Conservatorio G. Verdi. (76001755).

Rome

Salvatore Accardo conducting Schumann, Dvorak and Weber, with **Maria Joao Pires** (piano) (Mon, Tues). Auditorium in via della Conciliazione (6541044).
Dimitri Sitkovetsky (violin) and **Gerhard Oppitz** (piano) playing Schumann, Strauss, Janacek and Schubert (Wed.) Teatro Olimpico (393304).

Madrid

Amsterdam Bachsolisten with Paul Verheil (flute) (Tue, Wed). Bach. Auditorio Nacional de Musica (337 01 00).
Ensemble Beethoven. Beethoven programme (Tues). Auditorio Nacional de Musica (337 01 00).
La Chapelle Royal de Paris conducted by Philippe Herreweghe, Agnes Mellon (soprano), Per Vollestad (baritone). (Thur). Auditorio Nacional de Musica (337 01 00).
Guillermo Gonzalez piano recital. Carlos Cruz de Castro, Schubert, Bartok, Albeniz (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Stuttgarter Kammerorchester, Gachinger Kantorei Stuttgart conducted by Helmuth Rilling. Bach (Wed). Palau de la Musica Catalana (317 57 57).
Orquestra Ciutat de Barcelona conducted by Franz-Paul Decker, with Paul Tortelier (cello). Schoenberg, Tortelier, Haydn, Strauss (Fri). Palau de la Musica Catalana (301 77 75).

New York

Handel and Haydn Society Orchestra and Chorus. Christopher Hogwood conducting. Bach (Mon). Avery Fisher Hall (874 6770).
Atlanta Symphony Orchestra conducted by Yoel Levi with Shlomo Mintz (violin). Barber, Brahms, Stravinsky (Wed). Carnegie Hall (247 7800).
New York Philharmonic conducted by Charles Dutoit with Rudolf Buchbinder (piano). Martin, Ravel, Beethoven (Tue); Charles Dutoit conducting with Joshua Bell (violin). Stravinsky, Prokofiev, Shostakovich (Thur). Avery Fisher Hall (874 6770).

Washington

National Symphony Orchestra conducted by Hugh Wolff with Stephen Hough (piano). Haydn, Beethoven, Lutoslawski (Thur). Kennedy Center Concert Hall (467 4600).
Moscow Philharmonic conducted by Dmitri Kitaenko with Vladimir Viardo (piano). Mussorgsky, Prokofiev, Rachmaninov (Wed). Kennedy Center Concert Hall (467 4600).

Chicago

Ensemble a Corde. Shostakovich, Prokofiev, Dvorak (Wed). Orchestra Hall (435 6666).

Tokyo

Japan Philharmonic Orchestra, conducted by Kenichiroh Kobayashi, with Hiroko Nakamura (piano). Grieg, Tchaikovsky. (Tues). Suntory Hall (234 5911).
Mstislav Rostropovich (cello) with **Lambert Orkis** (piano). Brahms, Bach, Rachmaninov, Shostakovich (Wed). Suntory Hall (289 9999).
Emma Kirkby (soprano), **Anthony Rooley** (lute). 17th century arie antiche. Tsuda Hall (Wed) and Ishibashi Memorial Hall (Thur). (403 5871).
Tokyo Metropolitan Symphony Orchestra, conducted by Kazuhiko Komatsu. Music by the Japanese composer Koichi Kishi. Tokyo Bunka Kaikan (Thur) (822 9990).

SPONSORSHIP

Behind the Curtain

Last month the London Mozart Players played a standing room only concert in Warsaw – thanks to the City-based accountants Moore Stephens which provided the £6,000 needed to make the trip possible for the LMP.

This month the Royal Opera House's new production of *Boris Godunov* goes on loan to the Kirov Opera in Leningrad, where it was first performed in 1874, with Barclay's Bank contributing the £50,000, which makes this sudden transfer possible.

In June in Kiev, English National Opera will perform at a leading British arts festival, courtesy of Rank Xerox which is putting up over £200,000, with other aid coming from Midland Bank, British Gas and a mysterious private donor – yes, they do exist – who is contributing £100,000. which is not yet tax deductible. The arts are proving an excellent bridgehead in opening up Eastern Europe, indeed the entire world, to British businessmen.

Warsaw and Kiev were oiled by the British Council, which has a much increased budget of £1m a year for the next three years to invest in arts ventures by British companies abroad. Indeed, at the Glasgow Conference on "Arts Without Frontiers," the Council was appealing to the assembled arts delegates to come to it for aid rather than to the insular Arts Council.

However it will be expected to trail a corporate sponsor along, too, like the Royal National Theatre with Guinness, and the RSC with Royal Insurance, both backing European tours this year. For relatively little money British companies can entertain key overseas politicians, prospective clients, suppliers, etc, at an artistic event which, given the prestige of British arts companies abroad, is likely to be a sell-out success.

This is particularly true in Eastern Europe, where visiting arts tend to be more appreciated than in the West and where business is often sealed through personal contacts. The Moore Stephens evening in Warsaw was typical. It has been established there since last year, with the task of improving local accounting efficiency, and it used the concert to thank all those involved in its launch and to meet new contacts.

The sum involved was paltry, but without it the London Mozart Players could not have accepted the invitation to perform in Warsaw. Moore Stephens intends to pursue the relationship with the LMP in the UK and could be a useful patron of a troupe of musicians which suffers from its success. By lining up Croydon Council as the supplier of its offices and the buyer of community work from the players, and local company Nestlé as a major backer, the LMP has suffered a frozen Arts Council grant.

For Jane Glover, conductor and artistic director of the LMP, the after concert reception was yet another reminder of the price that artists have to pay for corporate aid. Meeting the client, and the client's friends, after a strenuous performance is now accepted as part of the job and Jane Glover tackles it professionally. But there is a danger that the time spent on securing sponsorship, and then servicing it, is starting to become an unbearable strain for those creative artists who double up as administrators.

★

The Ashmolean Museum in Oxford's £3.5m appeal – £2.5m of which is to shore it up against future crises through an endowment fund while £1m. goes towards instant renovation – slowly prospers, thanks to the nostalgic memories of Oxonians. The American company AKZO is the latest unlikely benefactor, putting up £25,000, which, because it is a first time sponsor, is matched by £25,000 from the Business Sponsorship Incentive Scheme.

The introduction comes through the advertising agency of the chemical company (it markets Sandtex paint in the UK) which, looking for a corporate symbol, fastened on the Greek relief of a man with outstretched hands which is in the museum. It was remembered from an agency director's university days. As a thank you AKZO has agreed to decorate the Randolph gallery, which holds one of the prizes of the Ashmolean, the Arundel marbles.

So far the Museum has attracted £900,000 to its appeal in little over a year, with most of the money going towards smartening up its appearance. The Clore Foundation has contributed £150,000, and an American Professor, Dietrich von Bothmer, with his wife, £200,000, to rennovate the sculpture gallery. Another Oxonian, the Australian newspaper magnate James Fairfax, has put up £50,000 to revitalise the Dutch still lifes and Michael Marks £30,000 for the Nubian gallery. Arthur Anderson, traditional supporters of the arts, which annually seeks new recruits at Oxford, has also contributed £30,000.

★

The privatised utilities are proving generous sponsors of the arts. British Gas, in particular, is popping up everywhere. Last week it announced a three-year backing for the *National Youth Jazz Orchestra*, for an undisclosed sum, which probably works out around £45,000. This is part of an annual £750,000 package which includes the English National Opera's community project, "A small green space;" London Festival Orchestra's summer festival of music in cathedrals; and aid for Ballet Central. British Gas's sponsorships always include a heavy touring element.

British Telecom is another active arts backer, but generally leaves the initiatives to its regional networks. The south western wing has just announced a £25,000 support for Orchard Theatre, the local touring company.

★

The Japanese Festival 1991 is on schedule to be the most corporately funded arts and cultural event ever held in the UK. It will cost £12m and although the Japanese Government is a big contributor, Japanese business is expected to put up at least £4m. However, one of the first companies to actually commmit cash is the Midland Bank, which has made available £300,000 towards the £1m already gathered in to help organise the event.

★

The fact that sponsorships never continue for ever was illustrated when Holsten Brewery announced that it was withdrawing its £100,000 backing for the London International Comedy Festival, which was schduled for this month. Holsten cited unhappiness over the organisation of the event.

Another new arts venture which depends on sponsorship is the Accademia Italiana in Kensington. It opened last May with the object of promoting Italian art and culture in the UK. Most of the exhibitions are sponsored by Italian companies but its lavish premises in Rutland Gate are provided rent free by Glaxo. The major show planned for the autumn, concentrating on Futurist paintings of man's conqest of the air, will be sponsored by Alitalia, which is also paying for a new motorised hanging system at the Accademia.

Antony Thorncroft

SALEROOM

Phillips goes for a record

This week sees the spring sales in London of major Impressionist and Modern paintings. Traditionally they do not scale the peaks of the late autumn and the summer auctions but this year they are above average, reflecting the good paintings enticed on to the market by a succession of record prices.

Christie's kicks off tonight with a very solid auction, including a £3m Joan Miró; a Monet view of Amsterdam which could make even more; and a Degas self portrait painted when he was 22. Then tomorrow evening Sotheby's holds the stage with a very good Chagall, which might sell for £4m and a rare landscape with figures by le Douanier Rousseau which carries a £1m top estimate. On Wednesday it offers 39 sculptures of animals by Rembrandt Bugatti which should make the actor Alain Delon more than £3m richer.

But perhaps most interest will centre on Phillips, which on Wednesday evening makes one more attempt to establish itself as a serious player in this most profitable sector of the art market. Phillips has always been a very poor third to Sotheby's and Christie's in Impressionist and 20th century art, and to attract works for sale it has either been forced to offer wildly optimistic estimates of their likely value or else accept art which dealers are anxious to off-load.

But now a new team of Tessa Helfet and Peter Romilly has taken over and they are optimistic that the auction of Modern Masters on Wednesday might top £3m, a modest sum but a record for Phillips. They have been fortunate to secure an important American collection assembled by the late Ann Solway which includes the largest group of small abstracts by the Czech born but Paris based Frank Kupka, who has just enjoyed a retrospective at the Museum of Modern Art in Paris.

Phillips now gives very conservative estimates, with some of the Kupkas carrying forecasts of under £10,000. The top price in the auction is likely to be around £250,000, paid for a small Dali, "La femme poisson," which has not been seen since 1949. Other "lost" works are two small oils by Max Ernst, bought at the International Surrealist Exhibition in 1936 and now re-emerging with estimates of up to £150,000.

Antony Thorncroft

FINANCIAL TIMES
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Monday April 2 1990

In or out of Europe

CHANCELLOR Helmut Kohl left no room for doubt when he visited Britain last week. He is a committed European, determined to press ahead at speed with economic and political union. His commitment may be in part derived from the imperatives of German domestic politics, but it is principally inspired by a sense of recent European history. Mr Kohl is well aware of the possible consequences of creating a neutral Germany, economically powerful yet politically without anchor, in central Europe. He is therefore a strong believer in both Nato and the European Community as institutions to which a united Germany should adhere.

A Germany that felt isolated, or ostracised, or free of responsibility towards greater European institutions, is not on the Kohl agenda; a Germany established as a pillar of those institutions is. Since President Francois Mitterrand is determined that France should press ahead on the same lines, Britain is confronted with a familiar question: to join, or not to join?

The response of the British Government so far has been to procrastinate. The Prime Minister has sought to divert attention from plans to strengthen the EC by producing a proposal for a "grand alliance for democracy" stretching from the Atlantic to the Urals. Its outline, in a speech last Thursday, sounded like a scheme for a lukewarm revival of the League of Nations. The Foreign Secretary, Mr Douglas Hurd, has drawn attention to the many tasks facing the EC, not least of which is the completion of the internal market.

This will not do. There are hard choices to be made, many arising before the next election. These reach beyond the well-worn question of when Britain should join the exchange rate mechanism of the European monetary system. Many will be settled without much reference to British opinion, especially if Britain remains outside the ERM.

Central bank

Mr Kohl is perfectly content to see a European central bank, though only one on the model of the Bundesbank and, preferably, sited in Frankfurt. He will also demand convergent economic policies from the member states. The issue of how much control there should be over national budgets was debated in Ireland at the weekend and will be debated again and again before the next British election. Meanwhile, proposals for the political integration of the EC will also be brought forward by the Germans and the French.

Power distribution

Mrs Thatcher's Gaullist distaste for such plans is well-known. The question is whether her approach can make sense in the future. If she accepts the inevitable she may be able to contribute to shaping the structure of a future EC constitution, especially in two important areas: the distribution of power between the Council of Ministers, national parliaments and supra-national bodies, and the division of responsibility between Brussels and the member states. If not, the French and the Germans, followed by the smaller nations, will go ahead anyway.

It is unfortunate that this challenge has arisen at a time when Britain is ill-equipped to meet it. The Conservative Government is now nearly 11 years old. It has behaved over the past year like a tired administration; over the past few months it has given the appearance of disintegration. This is not only a question of the Prime Minister's position. She will probably retain her leadership of the Conservative Party, and thus her occupancy of No 10 Downing Street until the next election, and perhaps beyond that. She showed once again, at a party meeting in Cheltenham on Saturday, that she is a formidable politician, well able to rally the troops.

But her Cabinet now possesses few generalisers, able to give broadly-based advice on strategy as Lord Whitehall and Mr Nigel Lawson did when they were in office. Mr Hurd and the new Chancellor, Mr John Major, are doing their best, but they carry insufficient weight to move the Prime Minister. Mr Kohl's message will take a while to sink in; the hope must be that when it does Mrs Thatcher herself will perceive the need for a change of stance.

Policy doomed to failure

EVER since he took office in 1980 as Prime Minister of newly-independent Zimbabwe, Mr Robert Mugabe has made no secret of his intention to create a one-party socialist state. Neither the failures of similar systems in black Africa, nor developments in the Soviet Union and eastern Europe, have stopped his blinkered pursuit of a demonstrably flawed objective.

Although Mr Mugabe has declared that his victory in last week's election gives him a mandate to pursue this objective, a closer look at the outcome should at least give him pause for thought. Meanwhile Western donors and aid institutions should be making it clear to Mr Mugabe that the continuation of their economic support is dependent on what he does next.

As expected, the ruling Zanu (PF) won all but a handful of the parliamentary seats at stake, while Mr Mugabe easily defeated his challenger for the presidency, Mr Edgar Tekere, leader of the Zimbabwe Unity Movement (Zum). It is, however, a hollow victory.

The campaign itself was marred by government intimidation of the opposition. It prompted a local civil rights group, the Catholic Commission for Justice and Peace, to warn that the violence was "calling into question the freeness and fairness of the election." The country's radio, television and daily newspapers served the government's cause, no more independent of the ruling party than they were in the era of white minority rule.

Given these circumstances, it is remarkable that the opposition received as much support as it did, winning around 16 per cent of the votes cast. It would almost certainly have been larger were it not for the fact that Zimbabwe is ill-served by the calibre of the opposition leadership.

One-party state

Until the emergence of Mr Tekere, Zimbabwe was becoming a de facto if not a de jure one-party state. Mr Joshua Nkomo and his Zapu party signed a unity agreement with Zanu (PF) in 1988, the result more of coercion than persuasion. The field was thus left clear to Mr Tekere, a former minister in the first Zanu (PF) cabinet and close associate of Mr Mugabe, who formed Zum last year.

One can admire Mr Tekere on several grounds: his forthright denunciation of government corruption; his criticism of the personality cult that surrounds Mr Mugabe and his wife, Sally; his advocacy of a multi-party democracy and a mixed economy.

Land redistribution

He has also adopted a cautious approach to the sensitive issue of redistribution of land held by the mainly white commercial farmers to peasant families. Mr Mugabe by contrast adopted the populist slogan of "land to the people now." There may well be a case for further redistribution. Yet Mr Mugabe failed to explain how it would be funded, or answer the charge that such a policy could seriously damage agriculture.

But Mr Tekere's chequered past, which includes a murder charge dismissed on a technicality, should disqualify him from presidential office. The criminal record of one of his party's leading parliamentary candidates further undermines the standing of the party.

Given the intimidation and Zum's weak leadership the low turnout – 55 per cent compared to over 90 per cent in the two previous elections – is not surprising, reflecting disillusionment with Mr Mugabe and distaste for his objectives rather than apathy.

Mr Mugabe's record since independence has a redeeming factor. For all his rhetoric about the merits of socialism he has generally been pragmatic on the economic front. But the rhetoric has discouraged foreign investors, and the spectacle of Mr Mugabe espousing an authoritarian system while urging democracy on Pretoria does not help the peace process in South Africa. If he chooses to ignore the lessons of post-independence Africa and eastern Europe and continue to row against the tide, there is little the outside world can do to stop him. But it should not make Mr Mugabe's task any easier by assisting a strategy that is doomed to fail.

Paul Betts looks at the changing shape of the world aero-engine industry

Packing in more power through strategic alliances

The aircraft engine business has never been a place for the faint-hearted. But last week's agreement between United Technologies (UTC) of the US and Daimler-Benz of Germany to pool their aero-engine activities signifies that battle is about to be joined on an unprecedented scale.

The deal adds a new dimension to the contest over the fast-growing commercial jet engine market, with sales forecast to total about $200bn over the next 20 years.

Traditionally this has been a three-cornered fight, involving General Electric and UTC's Pratt & Whitney engine subsidiary on one side of the Atlantic and Rolls-Royce on the other. But the competition has been spreading from the big three aero-engine manufacturers to companies in the second division that are eager to forge privileged ties with one of the three major players.

Such alliances are nothing new in themselves. GE has had a co-operation agreement with Snecma, the French state-owned group, for the last 11 years. It is a partnership that has helped propel GE to the top of the world aero-engine league and given it a big presence in the European market.

But the others are now scrambling to strike up strategic alliances of their own. Rolls-Royce, after a short-lived and controversial attempt to co-operate with GE six years ago, is establishing increasingly close ties with Japanese aero-engine manufacturers, which like the Germans and French are anxious to deepen their involvement in the business.

The deal announced by UTC and Daimler last week represents a riposte from the other company in the big three. It establishes the framework for a similar partnership between UTC's Pratt & Whitney engine operations with those of Motoren-und Turbinen-Union (MTU), the aero-engine group controlled by Daimler.

On the face of it, it is hard to see why these companies should need to band together. The outlook for commercial jet engine manufacturers looks healthy enough. All the most recent forecasts continue to confirm strong sustained growth in commercial airframe and engine demand. Boeing last month estimated that $626bn worth of aircraft would be delivered world wide between now and 2005, while Airbus expects a total of 12,000 new aircraft to be delivered by 2008.

Despite the staggering sums involved, however, the situation for engine manufacturers is becoming if anything more difficult, partly as a result of the changing structure of the aviation industry as a whole.

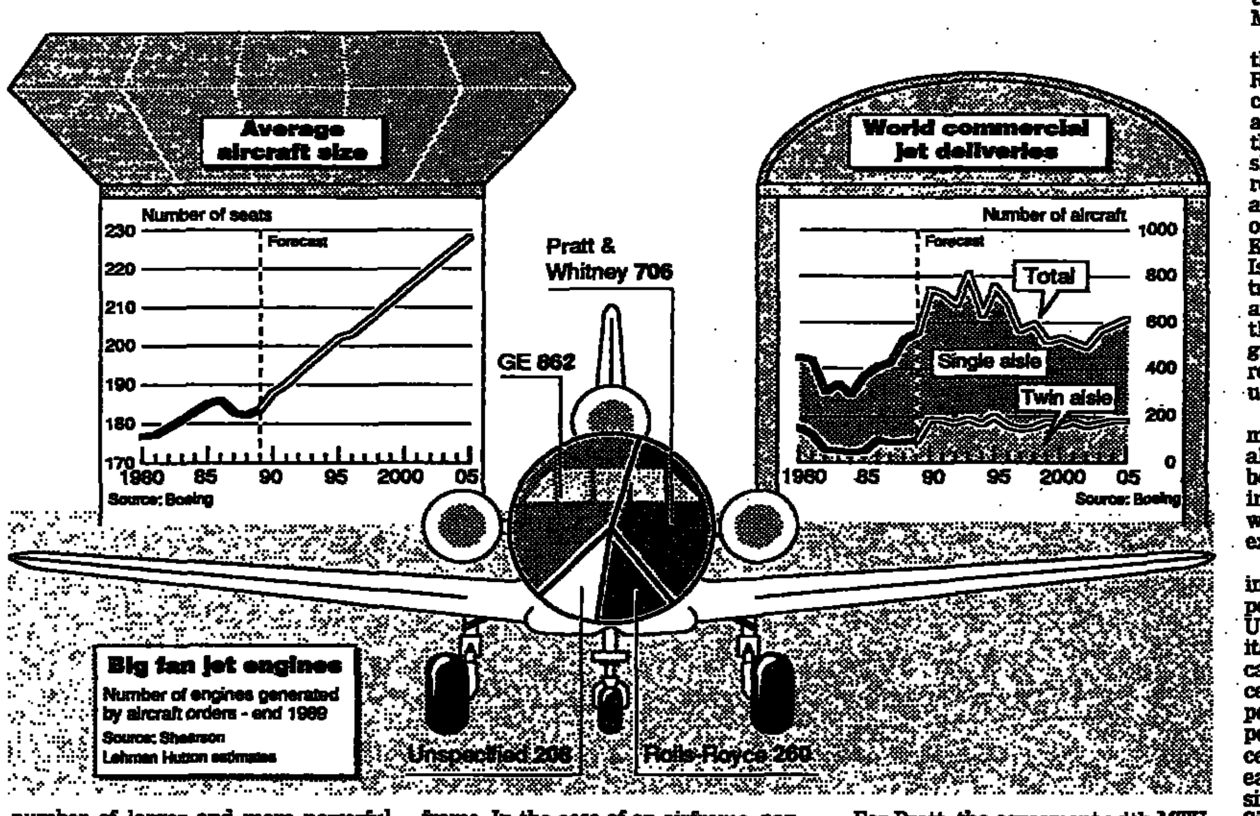
For one thing, the market is unlikely to continue growing at the current rate. After the unprecedented burst of new jet aircraft orders during the last four years, demand is expected to level off, with annual deliveries averaging around 500-600 airliners over the next 20 years. Last year, new deliveries totalled 564 aircraft.

"This means that things won't get a lot better than now," argues Mr Keith Hodgkinson, aerospace analyst with the US Shearson Lehman Hutton investment house. "The current order inflow will not continue at the rate which the industry has enjoyed during recent years," the European Airbus consortium warns in its latest market forecast for the industry.

Moreover, the orders that come in will increasingly be for large, twin-engine, wide-bodied aircraft such as are needed to absorb steady growth in passenger traffic without unduly exacerbating congestion problems. Airbus expects the average aircraft size to increase from a current 167 seats to 230 over the next 20 years.

As a result, engine manufacturers will probably be selling a smaller number of larger and more powerful engines in a few years' time than they are today. Their balance sheets will clearly benefit from the big spare parts and maintenance business generated by the recent engine order boom. But the only way an engine manufacturer will grow is by taking market share from its rivals.

The market for aero-engines



The competitive pressures do not stop there. The struggle between engine makers has created a strong buyers' market, with airlines increasingly demanding enlightened terms from engine suppliers. This applies both to the emerging "mega-carriers" of North America, Europe and the Far East, and to smaller airlines that are banding together to secure better terms from airframe and engine makers.

The challenge facing the aero-engine manufacturers is to develop the big-thrust engines required to power the new generation of wide-bodied aircraft. Engines currently on the market have a thrust of 65,000 lb to 70,000 lb, but manufacturers are now aiming at 80,000 lb or more.

The costs of developing such powerful machines are huge. GE recently unveiled its plans to develop a new big-thrust engine called the GE90 at a cost of between $1.2bn and $2bn. Rolls-Royce is currently developing a greater thrust derivative of its Trent engine at around $600m. Pratt & Whitney is also working on a bigger thrust version for its PW4000 series.

The problem is that the development costs of a new engine take much longer to recoup than those of an airframe. In the case of an airframe, payback can come in around seven years; for an engine, the figure is more like 10 to 15 years. New engine programmes have thus tended to become collaborative ventures, with the three major manufacturers attracting smaller companies as risk-sharing partners or subcontractors.

It is in this context that last week's announcement by UTC and Daimler should be seen. Although their proposed co-operation covers a broad front of aerospace activities, the two groups intend initially to concentrate on the commercial engine business, and more specifically on large-thrust big fan engines.

Engine orders and deliveries

	Firm orders 1989	Deliveries 1987A	Deliveries 1988A	Deliveries 1989E
General Electric* CF6 Series	309	208	265	300
Pratt & Whitney* PW4000	295	39	78	145
Rolls-Royce RB211-524 Series	173	34	19	80-85

*Q3

The deal, which is expected to involve Daimler and UTC taking cross-shareholdings in each other's aero-engine subsidiaries, could have considerable benefits for both sides. From Daimler's point of view, it is part of an attempt to become an international force in the world aerospace industry. In this sense, it is of a piece with other alliances currently being negotiated by Daimler including joint venture talks with Mitsubishi of Japan.

For Pratt, the agreement with MTU, the fruit of two years of negotiations, is undoubtedly a coup. It secures a new partner for the development of a large thrust derivative of its PW4000 series and denies one to GE for its rival GE90. The German link could also help Pratt increase its penetration of the European commercial aero-engine market dominated by GE and its French partner Snecma.

General Electric is not amused, for the deal between Daimler and Pratt represents a striking *volte-face* on the part of the German company. Barely two months ago, GE had signed a memorandum of understanding with Daimler enlisting it as a risk-sharing partner together with Snecma of France in the GE90 big fan engine programme. But MTU apparently preferred to link up with Pratt rather than risk being treated as a junior partner in the GE90 project, where the privileged European associate was clearly Snecma of France.

Mr Brian Rowe, head of GE's engine operations, says that GE has co-operated with MTU for the past 30 years and that the German company is currently participating in GE's CFM56-80 series of large engines.

Although MTU also co-operates with Rolls-Royce on military engines and already has a collaboration agreement with Pratt & Whitney on smaller commercial jet engines, Mr Rowe claimed there had been no conflict of interest since the German company worked with Pratt on engines under 50,000 lb of thrust and with GE on the more powerful engines. "We were not warned of the Pratt deal. We are upset and there are clearly serious implications," Mr Rowe added.

For GE, the MTU defection to Pratt is all the more galling since it raises echoes of the collapse of its partnership with Rolls-Royce in 1986.

The GE-Rolls-Royce co-operation agreement involved the two partners concentrating on the Rolls RB211-535 engine in the middle of the market and on the GE CF6 engine at the top end of the market. The partnership broke up when Rolls decided to go its own way in the development of its large thrust Trent engine and bid against GE for the British Airways engine order to power BA's new fleet of Boeing 747-400 jumbo jets.

But Mr Rowe says the disagreement with Rolls was different. "With Rolls we were always competitors. But there was never any competition with MTU," he said.

Rolls-Royce, for its part, is watching the spat unfold from the sidelines. Sir Ralph Robins, Rolls-Royce deputy chairman, claims that the Pratt-MTU association will have little effect on the UK group. "GE has its relationship with Snecma, Pratt now has its relationship with MTU and we've got a relationship with the Japanese," he observes. Two Japanese companies, Kawasaki Heavy Industries (KHI) and Ishikawajima Harima Heavy Industries (IHI), have taken between them an 11 per cent risk sharing stake in the Rolls-Royce Trent engine programme – consolidating a 15 year old relationship the UK group has built up in Japan.

Apart from spreading the development costs of the programme, Rolls also hopes its Japanese links will boost the Trent's market penetration in the Far East where demand for wide-bodied twin engine aircraft is expected to be particularly strong.

But Rolls's own expansive marketing activities have added to the competitive pressures facing the two big US aero-engine makers. Rolls has seen its share of the civil engine market in cash value terms rise from only 8 per cent three years ago to just under 20 per cent last year compared with 45 per cent for GE-Snecma and 28 per cent for Pratt. Pratt's share fell in the early 1980s, but the company has since made an aggressive come-back. Sir Ralph said Rolls was aiming to gain a 30 per cent share of the jet engine market by 1995 and believed it could achieve this target since the group's commercial jet engine family was now available on all modern jets but for the four engine Airbus A340.

"When we get on a successful aircraft we usually get about a third of the engine market for that aircraft," he said.

In the battle for the big fan engines, Rolls also believes it has time on its side. It claims that the big Trent engine is at a more advanced stage of development than either its Pratt or GE rivals. But in the tussle over the new big engine market, both GE and Pratt also claim for their part to be ahead of the game.

Pratt recently announced that it could increase the PW4000 to 100,000 lb of thrust by incorporating a large fan with a 120in-140in diameter mounted on the existing PW4000 engine core. GE says it will be able to take up its new GE90, which will also have a 120 in diameter fan equivalent to the diameter of the fuselage of a Boeing 737, to 110,000 lb of thrust.

Even though many in the industry are beginning to wonder whether the engine makers are starting to enter into dreamland with some of their longer term plans to develop extravagantly large new engines, a battle of epic proportions has begun for a share of the big thrust engine market. The stakes are huge for the three major manufacturers and their respective partners. And the outcome, at this early stage, is still wide open.

OBSERVER

Now there are two

■ The changes at London's International Stock Exchange, where a major reorganisation takes effect today, have cut a swathe through its board of directors. Of the nine powerful barons who used to dictate the way the market ran, few remain.

First to go was David Bruce, director of finance. He resigned at the end of last year, apparently out of pique at losing out in the race for the chief executive's chair to Peter Rawlins.

Michael Baker, in charge of the Exchange's four markets and once one of the most powerful of the select band, today becomes a middle-ranking executive in the new settlements division. The fate of Bernard Reed, former head of marketing, seems equally harsh: his department has been disbanded, its functions devolved, and he is now in charge of unspecified "special projects".

Peter Bennett, once head of strategic research, has also seen his department disappear under him at the same time as having his executive responsibilities stripped. Never an exchange employee anyway, he is retained as a consultant to Rawlins.

Others have met a slightly kinder fate. Martin Fidler, secretary to the Council, retains his job, although he has lost his executive director status.

Meanwhile Bob Wilkinson, head of surveillance, and John Young, deputy chairman of the management board, have both had second contracts with the Securities Association, which took over the exchange's main regulatory functions after the Financial Services Act, and so have less to lose. Young has plenty to keep him busy as chief executive of TSA, while Wilkinson was due to retire at the end of this year anyway.

That leaves just two. George Hayter, the former head of the powerful services division, has been rewarded for his efforts in taking the market through Big Bang and beyond with the key role of managing director of the new trading markets division. And the role of Stewart Douglas-Mann, in charge of primary markets, remains virtually unchanged.

One way to pay

■ It was not an April Fool. From yesterday (April 1), Hyundai Car Distributors (UK) began offering to pay the poll tax of anyone who buys one of its Stellar saloons. The offer runs for two months. All that is needed is a readiness to buy the car – and even that is on a sale-or-return basis – plus proof of poll tax liability. Hyundai will then send a cheque for the full amount, even if all the purchasers turn out to be in Lambeth.

Real tin man

■ Brad Smith describes himself as "a simple country lawyer", but in London at the weekend he was being toasted as the man who, against all the odds, brought an end to the five-year dispute which followed the 1985 collapse of the International Tin Council's market support scheme.

The collapse left creditors owed £500m, but the countries backing the ITC refused to honour its debts. And the UK courts said that, while the creditors had been done a grave injustice, in law there was no reason for the countries to pay up.

Legal fees mounted to tens of millions. At one stage in the appeal court 24 counsel, supported by batteries of solicitors and legal experts, were locked in battle.

"It was a crazy way to spend time and money," says Smith and the Canadian government decided to look for a better

"I name this child, Margaret Michael Norman..."

way. As Canada's assistant deputy attorney general, Smith was supervising his country's involvement in the litigation.

He chaired two meetings seeking the "better solution", then for the next two years found himself travelling to London once or twice a month, cajoling countries and creditors towards last Friday's compromise: an out-of-court settlement under which £182.5m was electronically transmitted to creditors' bank accounts.

While all this was going on Smith – whose full name is T Bradbrooke Smith – retired after 30 years' government service and joined the international law firm, Stikeman Elliott. "I'm known as the tin man around the office and I've been away from my law practice so long there might not be much left of it," he says.

Was there ever a moment when he wanted to give up? "Never," he says. "There were 22 states, 20 brokers, 13 banks and three tin smelters involved, all with different objectives. I knew from the start there was no way they could reach an agreed solution. But we just kept pushing on.

"The lesson is that diplomacy does work, if you push hard enough. And we were pushing hard."

Militant

■ I began to realise that something was up in London on Saturday when I came to the office around lunch-time. There was the odd minibus lurking around the City. One of them was from the supporter's club of a football team not playing in London that day. (It was Oldham Athletic.) The windows were plastered with stickers about the Militant Tendency.

The presence of Militant is something that I have noticed in several city centres at weekends during the last few months. It was particularly marked during the ambulancemen's dispute. Militant is extremely good at infiltrating, persuading people who otherwise have no interest in the Militant cause that it is on their side. Passers-by pick up its newspaper and read it.

It must also be very well organised. It exploits other people's grievances and somehow manages to link them together. In Newcastle, a few Saturdays ago, people were demonstrating simultaneously against student loans, changes in the abortion law, nurses' pay and the poll tax.

That said, Militant would be nothing like so successful if there were not grievances to draw on. Newcastle is a perfect example of inner city problems yet to be resolved.

Kohl's escort

■ Chancellor Kohl came to the Financial Times on Friday - perhaps tactfully – in a Daimler. As he left, there was a six-man British police motor cycle escort. All the bikes were BMWs. We wonder if he noticed. He went back to Germany on the Queen's Flight because his own plane refused to take off.

Richard Evans on the Government's dilemmas over the community charge

Limiting the poll tax damage

There was never any doubt that reform of local government finance and the abolition of rates were going to be unpopular — after all, the tax that people enjoy paying has yet to be invented.

The initial attraction of the poll tax in place of discredited domestic rates was that although it was brutal, it was simple. The argument went that people would know what they were paying for; profligate Labour councils would be turfed out and prudent Tory ones would receive their reward through the ballot box.

It has not worked out like that. The gamble has failed and the awful truth has struck Conservative strategists that unless something is done fast, the party could lose the next election because of the community charge.

A degree of opposition was inevitable because any new tax means losers as well as gainers, and losers always make their complaints known.

But the scale of the protests, the rioting, threats of widespread civil disobedience, the resignation of Conservative councillors, and worst of all the realisation after the Mid-Staffordshire by-election that traditional Tory supporters are prepared to switch directly to Labour, has created a feeling approaching panic.

Even this scale of protest probably underestimates the impact that the poll tax will have when demands for 38m chargepayers arrive on doormats throughout England and Wales this month.

The average poll tax is around £365 compared with the Government's target of £278, but averages are always treacherous. The most devastating statistic, from the Government's viewpoint, is that 25m people are set to lose from the introduction of the poll tax

Many more people will lose than gain from introduction of the poll tax.

and 10m — predominantly well-to-do — will gain.

It also appears that the Government's message that it is the profligacy of local authorities — mostly but not exclusively Labour — that has driven up community charge demands, has not been universally accepted. It is the Government that is being blamed for making unrealistic spending assumptions.

The reforms appear to have coincided with an attempt to squeeze councils by imposing targets based on a 4 per cent increase in local spending compared with the going inflation rate of 7 to 8 per cent.

The Government gambled that local authorities would not want to be branded as high spenders. In fact, the opposite seems to have happened. Because community charge targets were set so low, many councils decided they had no chance of meeting them, so they have gone ahead with more ambitious spending programmes in the hope that the extra costs will be blamed on the reforms.

The Government claims that authorities are overspending their budgets by £3bn, the equivalent of an increase on rates of one third.

A whole battery of rebates and reliefs has already been offered.

But what more can Ministers do to retrieve the situation?

Mr Chris Patten, Environment Secretary, who has promised that the way council budgets are set could be re-appraised, has several options, but the more fundamental are unlikely to be disclosed until the negotiations over the 1991-92 settlement, due to be announced in the summer, are completed.

The only option to mitigate the effects of the poll tax in its first year is charge capping — the enforced reduction of council spending levels and of poll tax bills by parliamentary order.

Like everything else to do with local government finance, this apparently simple process of cutting local budgets is fraught with difficulties.

The expectation is that Mr Patten will this week name up to two dozen councils, mostly Labour controlled and many in London, which will be liable for capping — a big climbdown from earlier threats to cap over 100.

Mr Patten's difficulty is that extensive capping would strike at the community charge's supposed core principle of accountability.

Revising budgets to comply with enforced spending cuts will cause enormous disruption, with the recall and revision of poll tax bills that have already been sent out.

TARGETS FOR CHARGE CAPPING

Councils that exceeded both the Government's Standard Spending Assessment and the poll tax target

	Above SSA (per cent)	Above Target (per cent)
Basildon (No Overall Control)	199.6	27.0
Ipswich (Lab)	96.3	41.1
Bristol (Lab)	96.2	30.6
Langbaurgh-on-Tees (NOC)	86.4	13.9
Norwich (Lab)	65.5	42.5
Middlesbrough (Lab)	63.7	26.2
Stockton-on-Tees (Lab)	54.4	34.1
Milton Keynes (NOC)	44.4	98.0
Southend-on-Sea (NOC)	39.9	35.0
Reading (Lab)	37.4	23.1
Leicester (Lab)	34.7	20.0
Lambeth (Lab)	27.0	17.6
Blackburn (Lab)	24.9	35.0
Derbyshire(Lab)	24.9	14.2
Camden (Lab)	19.9	15.8
Avon (Lab)	18.4	14.9
St Helens (NOC)	18.3	12.9
Brent (Lab)	18.2	1.4
Cumbria (NOC)	16.0	12.3
Oxfordshire (NOC)	15.5	22.1
Hackney (Lab)	14.8	12.7

On top of this, legal challenges could follow the selection of capped councils. Court action could delay final bills until the autumn, tempting thousands to refuse to pay sums in dispute.

Mr Patten is thought to be unhappy about the whole idea of charge capping. But he feels he has to make a gesture to appease Tory grassroots opinion which wants action against spendthrift councils.

Speculation about the charge cap list suggests that councils may be selected on the basis of their percentage planned overspend above the Government's standard spending assessment of their needs.

If this proves correct, it might be possible to avoid the political embarrassment of having to cap any Tory councils.

In the longer term, the Government could continue to tinker with the system by improving reliefs for those suffering the most; it could pump a lot more cash into town hall coffers in the hope that this will reduce community charge levels; or it could take responsibility for some services away from local government.

The trouble with tinkering is that it has already been tried and with very little success.

More generous transitional arrangements which would limit poll tax increases to £3 a week no matter how much a council spends would be costly, but would have the advantage of targeting additional money.

It would also be possible to extend the benefit system by reducing the minimum poll tax payment from 20 per cent to 10 per cent or less. But while this would help the very poor, it would not help disaffected Tory voters on average earnings, whose electoral support could be vital.

It is considered virtually certain that a lot more government grant will be extracted from the Treasury by Mr Patten for 1991-92, which could well be general election year.

But according to Mr Tony Travers, a local government finance expert at the London School of Economics, it would take an additional £7bn or more in central grants to ensure that community charge bills are no greater than current rate bills.

Furthermore, there is a major problem with simply pumping more Exchequer money into the system.

There is no mechanism for ensuring that the money would be used by councils for reducing poll tax levels rather than spent on extra local services.

Another stage in the poll tax rescue operation could be to introduce a super poll tax for the wealthy. A higher band of charge, as well as bringing in more money, would be aimed at placating party critics opposed to the unfairness of the regressive lump sum tax.

A number of Conservative MPs favour cutting poll tax rates substantially by removing some of the services at present paid for by local government, such as education, fire services and the police.

According to Mr Travers, for every £1.5bn of this expenditure transferred from local government to the Exchequer, the average community charge could be reduced by about £42. However, the money would have to come from somewhere and the standard rate of income tax, which the Government has pledged to reduce to 20p, might have to rise by at least 1p.

Education is by far the largest local government service, accounting for around 60 per cent of the total, and its transfer to Whitehall would pile irony on irony. It would give more power to the Department of Education, Mrs Thatcher's least favourite department, and it would represent a massive act of centralisation. But it remains an option of last resort, as it would undeniably cut poll tax rates substantially.

None of the alternatives isparticularly appealing to the Government, and all would be expensive. Further substantial reforms in 1991-92 would also involve more turmoil for local authorities. There have now been 13 different systems of local government finance since 1979.

Nevertheless, there is little doubt that one of the options, or a combination, will be chosen. The political damage caused by the poll tax, which seems certain to feature again in the local elections on May 3, will have to be neutralised, no matter how many principles have to be swallowed. Mrs Thatcher is not fond of admitting she was wrong. This time she might have to.

Tortuous path to negotiating table

Patti Waldmeir assesses the mood in South Africa following last week's violence

WHEN MR Walter Sisulu, the senior African National Congress (ANC) leader, was asked last week whether ANC talks with the South African Government would be threatened by the killing by police of several demonstrators in the black township of Sebokeng on Monday, he replied: "I don't know why it would."

He went on to explain, patiently and reasonably, that the only way to end the violence now convulsing South Africa's townships — including the incident at Sebokeng, near Johannesburg, in which at least 11 people died — was through negotiation.

"Agitation like that is brought to an end by the ruling class talking to the people," he told a television interviewer on Tuesday.

But by Saturday morning, Mr Sisulu had reversed his position. In a move which surprised and dismayed Pretoria, the ANC postponed its first ever formal talks with the Government, that were due to have taken place on April 11, in protest at the Sebokeng shootings.

There are many within the ANC — probably including Mr Sisulu himself, as well as Mr Nelson Mandela, the deputy president — who believe the postponement should be temporary. Some contacts with Government could resume shortly, and it seems a fair bet that negotiations will be back on their tortuous path within a matter of months, or less.

For despite the weekend's hardline statements from ANC leaders — Mr Mandela himself protested that Pretoria "talks about negotiations on the one hand and massacres our people on the other" — many in the top leadership remain committed to negotiation.

Faced with outrage from its constituents, the ANC can be forgiven for wishing to make a gesture of protest against the brutality at Sebokeng, where police used grossly excessive firepower against demonstrators armed, in most cases, only with sticks. Certainly, if ANC terrorists had killed 11 civilians with a bomb in a white shopping centre, Pretoria, too, might wish to make a point to those responsible.

But even if the postponement of the talks proves only a temporary hitch in a process which many now view as inevitable — the negotiation, under more or less peaceful conditions, of a post-apartheid constitution for South Africa — it raises serious questions about the cohesiveness of the ANC.

For the postponement appears to have been prompted by a grassroots rebellion against those ANC leaders — Nelson Mandela among them

The ANC can be forgiven for wishing to make a gesture of protest against the brutality at Sebokeng

— who preach compromise and conciliation.

The mood among many local ANC activists is nothing short of insurrectional. Schooled in the chaotic township violence of the mid-1980s, radical local acitivists have had difficulty accepting the more moderate line of septuagenarian leaders like Mr Mandela.

Internal ANC leaders know they must bring these ultra-radicals — who are also well represented among the ANC's Lusaka-based external leadership, especially its armed wing, Umkhonto we Sizwe (Spear of the Nation) along to the negotiating table. They clearly hope that this weekend's public rebuke to Pretoria will play well in Sebokeng and other black townships, and among the "young lions" of Umkhonto.

But their authority over the grassroots is demonstrably weak: Mr Mandela has called on warring parties in Natal to throw their pangas into the sea; they have responded by plunging them deeper into their neighbours' backs. He has appealed repeatedly to students to return to school, and they have very publicly ignored him.

Some of the more radical members of the national executive will no doubt continue to resist negotiations. They could yet hold sway in an executive meeting due to take place within days in Lusaka; if they do, violence will escalate further, white fears will intensify, and the ANC will risk looking decidedly unreasonable in the eyes of the world.

But even if moderation prevails, the problem of controlling local unrest remains. For ANC leaders privately concede that the police are only part of the problem: the vast majority of the 300-odd blacks who have died since Mr Mandela left prison seven weeks ago have been murdered by other blacks, and not by the security forces.

Hundreds have died since the beginning of the year in Natal, where a thin veneer of politics masks what is basically a civil war prompted largely by extreme deprivation. Here, too, local leaders have rebelled against Mr Mandela, forcing him to cancel a planned joint peace rally due to have been held today with Chief Mangosuthu Buthelezi, whose supporters have carried out many of the 40-odd murders of the past week.

Violence flared early last month in several of the country's ten black homelands, where local residents - the most poverty-stricken of South African blacks, and among the most brutally repressed feared they would be left behind on the road to the new South Africa. Local grievances over rents and schooling have sparked black protest in the volatile Vaal Triangle, and taxi wars left over 20 dead in one day near Johannesburg.

All of this is no doubt the inevitable result of a dictatorship easing its grip on power. But it can be argued that Mr Mandela's prolonged absence from the country last month — when he visited a host of African countries and Sweden in a post-release tour — seriously exacerbated the situation.

Delays in starting talks with Pretoria are likely to have the same effect. Ensuring that undue delay is avoided will prove an important test of Mr Mandela's authority within the ANC — and a chance for him to prove that he has the qualities of statesmanship on which South Africa's future will ultimately depend.

LETTERS

1992 process remains on course

From Mr John Drew.

Sir, A number of your recent reports have suggested that the 1992 process may be slowed by current events in central and eastern Europe.

Nothing could be further from the truth.

Some 60 per cent of the original 279 proposals constituting the Internal Market Programme have already been adopted by the member states.

Only eight await presentation in draft legal form by the Commission.

Business has not been slow to come to terms with the new situation, the proportion of member states exports traded with the Community have increased by 7 per cent, to 62 per cent in the six years to 1988.

This process is increasingly reflected in the number of cross-frontier joint ventures of which there were more than 1,300 in 1989.

Certainly, the Community's trading partners are more than aware of the significance of these developments judging from the growth of inward investment in recent years.

Problems remain relating to the elimination of physical frontiers and taxation, while certain areas (such as plant and animal health) pose problems of a highly technical nature.

However, nothing has changed the economic and political factors that triggered the 1992 process in the first place, and no one aware of the facts would seriously wish to prolong the economic costs of a divided European market.

The lesson from the events in eastern Europe surely is that the faster we can get the 1992 programme in full working order, the sooner and more effectively we can help our fellow Europeans beyond the Elbe.

John Drew,
Head of the United Kingdom Office,
Commission of the European Communities,
Jean Monnet House,
8 Storey's Gate,
SW1

The North is looking better

From Mr Brad Bamfield.

Sir, I would agree there is a north-south divide ("Jobs feast and famine," March 26) but not exactly as described.

My company is a private developer building Phase 1 of the Arena Business Park in Sunderland which, within four years, will total 285,000 sq ft. I can report that demand for units is very strong, both from expanding local companies and companies new to the area.

What is it that attracts these companies? I believe it is summed up in one word: "Quality." The town has, in spite of your somewhat disparaging remarks, a first-class workforce which is enthusiastic, motivated and only too willing to retrain.

This workforce extends across the employment spectrum from unskilled to senior management. There is a quality of life rarely achieved here in the south; spectacular countryside, excellent roads, house costs are substantially lower and superior leisure facilities.

The employers in the area know all this and many outside the area are finding out. This quality element is enhanced by financial assistance offered by central and local government. Sunderland Council is unfailing in its support of employers.

Yes, there is a north-south divide — in the south we have congested roads, packed commuter trains, dirty streets, run down, or very expensive leisure centres, exorbitant housing and labour shortages. In the north . . .

Brad Bamfield,
Chairman,
Metropolitan Land and Development Company,
Stansted, Essex

Mission planning

From Mr John Argenti.

Sir, I was sorry to learn from Mr Andrew Campbell's letter (March 29) that BP are having trouble with their Mission Planning in that they cannot quite decide what their Project 1990 should be all about — including, he tells us, the question why BP exists. I wonder if I could suggest that Mission 1990 should be exactly the same as Mission 1980; namely to make a decent return on shareholders' capital.

Mr Campbell says BP is also searching for Ten Commandments - what, as well as a Mission? Is that in addition to Vision, which, we are told, business leaders should have?

I just wonder if some of our Business Schools are going a bit over the top.

John Argenti,
Pettistree Lodge
Woodbridge, Suffolk

Artificial limit on supply increases the price of houses

From Mr David Harper.

Sir, I agree that current tax policy increases demand for houses but surely the major factor for property inflation, and therefore its position as the UK's premier investment vehicle, is the artificial limit on supply.

A field in Berkshire may increase in value from £2,000 to £400,000 with the granting of planning consent. A bungalow in Cornwall may cost £20,000 to build, £1,009 for the land and £79,000 for the planning permission.

Since there is no shortage of fields available for building, the price escalation is in these cases surely firmly in the hands of government.

Low interest rates lead to investments in modern industrial capacity that has helped the booms in Germany, Japan and the rest of SE Asia.

High interest rates are only inflationary in a society dominated by property booms, not manufacturing booms.

A massive increase in supply of property (planning consents) could enable us to live with low interest rates and low inflation and encourage us to really rejuvenate our industrial base.

This solution may be politically unpopular or even impossible but surely it must be part of the debate.

A society in which the major lesson for those seeking financial security is borrow don't save, in which borrowing aggressively has been more effective than working hard, surely has the problems.

When will we pay the piper?

David Harper,
Managing Director,
IMP Europe,
Swindon

Denigrating the size of St Pancras Library in favour of new Chicago Library

From Professor Colin St John Wilson.

Sir, Colin Amery displays his enthusiasm for the import of architectural expertise from the US to this country ("Quality has nothing to do with nationality," March 12).

His evidence lies in the design of the new Chicago City Library for which the lead architect is Professor Thomas Beeby who is now collaborating on the Paternoster Project in the City.

What Mr Amery did not state is that two partners in the practice which is building the British Library at St Pancras (myself and M.J. Long) were active members of the design team (as library design consultants) largely responsible for the detailed organisational planning of the winning project.

In the case of the Chicago Library, therefore, the major export of expertise was from this country to the US.

It is a pity Mr Amery did not mention this.

What is even more of a pity is that he seeks to denigrate the British Library project in comparison with the Chicago Library by reducing it to a tenth of its size!

It is in fact bigger and infinitely more complex than the Chicago Library.

Prof Colin St John Wilson,
Highbury Crescent Rooms,
70 Ronalds Road, N5

Call to recognise Lithuania

From Mr I.J. Kenna.

Sir, Mrs Thatcher is right to feel shame over Munich.

Lithuania has democratic credentials as good as many members of the UN. Why does Britain not recognise Lithuania?

I.J. Kenna,
Chairman,
Celtic League,
72 Compton Street,
EC1

FINANCIAL TIMES
Monday April 2 1990

Argentina takes a step back from the abyss

Gary Mead examines the day-to-day problems of living with hyperinflation

Argentines queued to withdraw cash from their banks after the Government announced an anti-inflation package early this year

BY popular repute, Buenos Aires has the world's greatest concentration of psychoanalysts and trained economists. Its ubiquitous hyperinflation leads its middle class to bounce from the couches of one to the counsel of the other.

Both are forms of therapy, teaching not how to solve Argentina's crisis but how to co-exist with it. It is like learning how to live with economic gunfire, waiting for the next shell to land. People wince not from bullets but from prices.

Since December 1989 monthly inflation has averaged 50 per cent and by the end of March that average will probably have risen to 65 per cent.

There are signs that April will be a calmer month, with price rises slowing to 10 per cent, a rate that would cause outrage in the industrialised world but which in Argentina could be cause for rejoicing in the streets.

In Argentina, hyperinflation hits everyone hard in the sense that overall national economic performance is affected and it goes hand in hand with a collapsing exchange rate.

In February the austral depreciated by 300 per cent, dropping from less than 2,000 to almost 6,000 australs to the dollar. That cripples all calculations and utterly undermines all export-import planning.

Furthermore, the divisions in Argentina's already sharply divided social structure are being exacerbated by the hyperinflationary cycle, which in effect has been rampant since May 1989. In the 10 months since then prices have risen by a monthly average of 63 per cent.

There are only three ways to survive relatively unscathed and without resorting to robbery: to be in the fortunate position of relying upon a foreign currency, and hope the austral's exchange rate slides in line with inflation; to obtain inflation-beating wage or interest rate increases; or to trust to the charity of government or other agencies to provide emergency relief.

There are three classes in contemporary Argentina – those that think in terms of US dollars, those that have industrial muscle or investment possibilities, and the have-nots.

The first category, which includes foreign correspondents, have not drowned because the austral has collapsed from its June 1988 position of 10 to \$1 to its late March 1990 level of 4,500 to \$1. While prices have soared, so has the purchasing power of foreign currency.

Trades unions in the private sector have also managed to keep their noses at or above the plimsoll line. Workers in the textile, steel, building and other basic sectors have regularly achieved increases in line with inflation.

Canny investors had the chance, until recently, to put their assets into a variety of financial areas which provided returns in excess of inflation.

But it is the third category, in which as many as 10m of Argentina's 31m citizens can be grouped, that hyperinflation has hit hardest.

The armed forces, university academics, government bureaucrats and the huge army of unregulated workers who depend on casual, unregistered employment, have all found their lives dramatically altered in the past year.

"After 20 years in the service I can no longer afford to buy a new car, something which I could have done on my salary when I was a junior officer," says a senior air force officer now working in the Defence Ministry.

He reckons that junior officers are now 70 per cent worse off than when he first joined up two decades ago.

Argentina's poor - some 2m people live in a circle of slums around the edge of Buenos Aires - are surviving thanks to minimal government handouts, which provide regular quantities of pasta, milk, bread, cooking oil and so forth.

Already semi-permanently poised on the knife-edge between existence and outright destitution, the current crisis has indefinitely postponed the prospect that their children might be better fed, housed, educated and hospitalised.

More than 22m people - 75 per cent of the population - who depend on state medical insurance schemes, are now virtually without treatment, because the schemes have all but died since January.

With teachers on regular strike for higher wages, and the construction industry working at 80 per cent below its last years' capacity the bulk of the population who are dependent, in one form or another, on the welfare of the state, are enduring the practical hardships of hyperinflation.

But while lower class existence has never been luxurious, those poised half-way between a holiday home abroad and semi-poverty at home are witnessing the greatest collapse in their expectations.

Be it an air force officer, or a psychoanalyst in private practice, the drop is painful. A psychoanalyst friend, married with one child, describes his altered perspective. "Two years ago we went to Europe, which cost us \$5,000. Last year it had to be \$500, for a holiday in Argentina. This year it's difficult to find \$100 for an even shorter holiday, again in Argentina. Going to Europe again is out of the question. It would take two years' salary."

Even today, comparisons with Weimar Germany, suggesting that Argentine society is on the brink of total collapse as a result of hyperinflation, are misleading.

That spectre looked possible three weeks ago, before some calm returned and the Government's tight monetary policy soaked up australs which had been fleeing into dollars. What has happened is a step back from the abyss, a generalised belt-tightening while everyone pauses to see if the current calm is ephemeral.

So far, the national patience has been remarkable. The next two months will test that patience to its limits.

Dismantling the public sector; IADB struggle, Page 3

THE LEX COLUMN

BTR squares up to the attorneys

From a London viewpoint, it is to be hoped that Wall Street lawyers and Massachusetts politicians will not drag out BTR's \$1.6bn bid for Norton for as long as it took Hanson to get SCM, or BAT to get Farmers. Regrettably, the tone of Norton's rejection of BTR suggests otherwise. Legal manoeuvre and local protest seem to be Norton's only weapons. Its existing poison pill mechanism, a shareholder rights plan, may not be much of a barrier; but the board's step of trying to postpone the annual meeting from April 26 until June 12 looks a portent of more blocking tactics.

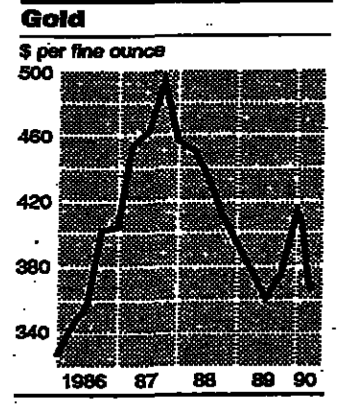
Financially, it is hard to see much in Norton's talk about finding bankers for a leveraged recapitalisation. Norton's cash flow per share for 1990 looks likely to be about \$7.45, not much to support a deal which might compete with the \$75 per share BTR is offering. It is also hard to see what cash outflows Norton could dispense with to help it with a higher debt burden. It has not raised its dividends since 1982; and its capital spending, as BTR pointed out on day one, is not high. That leaves the possibility of other bidders, with Wall Street rumour centering on Ingersoll-Rand or General Electric. The trouble is that at 19 times earnings, BTR's bid is at a level to deter anybody not prepared to put in a lot of work post-takeover.

Hence the danger of litigation being Norton's preferred tactic. Of course, US boards have a fiduciary duty to look after their common stockholders, and fear of shareholder lawsuits may constrain Norton. But as the Hanson/SCM case showed, the timescale can be protracted even so.

ANZ-National Mutual

Last week's confirmation of the rumoured merger between ANZ and National Mutual shows the reconstruction of Australia's financial sector taking an unexpected turn. In any country, the merger of the second biggest bank and second biggest insurer would be remarkable. In this case, the picture is complicated by what it means for the reshaping of the banking sector itself.

Of the big four banks, ANZ and National Australia Bank took crossholdings in each other last September: Westpac last month picked up a 7.5 per cent stake in ANZ and has openly talked of a bid: and the federal-owned Commonwealth



Bank looks badly in need of a partner. But Mr Keating, the Finance Minister, last Friday ruled out any merger among the four, while giving conditional approval to the ANZ-National Mutual idea. Perhaps the other three will be driven to consider rescuing the state-owned banks, such as the crippled State Bank of Victoria, whose recent record in lending to the entrepreneurs has made the state governments more than anxious to get rid of them.

As for National Mutual, the deal will involve a demutualisation almost unprecedented in scale. The problems this poses are much the same in Australia as in the UK, where the tiny FS Assurance is the only company to have gone through the process. In recent months, the UK market has rather gone off the idea that a big UK demutualisation is in the offing. But if the National Mutual plan proves feasible, its sheer scale might cause the big UK mutuals to think again.

Laing Properties

Standard Life owns 28 per cent of Hammerson, so it must know what a UK property company is worth. The Standard's response to Pall Mall's 725p per share bid for Laing Properties ought therefore to be a good clue to the behaviour of other institutions. Laing's problem is that last Thursday Standard jumped ship, taking the 725p for each of its 900,000 shares. If this is a straw in the wind, even a solid wall of opposition to Pall Mall from the 23 family and charitable trusts which own about 43 per cent of Laing may not stop the deal dead.

As it stands, the bid poses a ticklish problem for the institutions. By historic precedent such as Rodamco's bid for Hammerson, or Wereldhave's for Peachey Properties, Pall Mall's offer is unacceptably low. At 725p, it is pitched at a 20 per cent discount to the all-up valuation of 916p per share in Laing's defence document. But even if one accepts Pall Mall's rather mischievous claim that development surpluses should be left out of the valuation, bringing it down to 788p, the offer is still pitched at significantly less than the 95 per cent of net asset value normally required to clinch a property bid.

The trouble for Laing is that property sector share prices were showing an average discount to net asset value last week of 41.4 per cent. So a fund manager can easily take a cut-price bid from Pall Mall, then put the money straight back into another undervalued situation – MEPC, say, or Land Securities. One can well see why other institutions may follow the Standard.

Gold

James Capel might have wished for better timing for its Gold Investment Trust launch than three days after a precipitate \$20 fall in the gold price. Details of the identity of the seller who dumped around £500m of selling orders on the market are still uncertain. However, the move caught the bullion market in a depressed mood as the end-1989 hopes of a sustained rally had started to evaporate. The markets had already failed to sustain a price of over \$400 per ounce. Even if last week's plunge was merely caused by a cleverly timed short position, the gold price is likely to remain flat on its back for some months to come.

The strength of the dollar is no help to bullion. Nor is the continuation of high interest rates, which make it expensive to hold a non-yielding asset such as gold. And although the main suppliers, South Africa and the Soviet Union, are both in political turmoil, that need not necessarily be a bull point. Mr Gorbachev might decide to maximise gold sales to pay for perestroika. And on the demand side, there are signs that the Japanese enthusiasm for gold may have passed its peak.

Nor is the outlook for gold shares any more enticing. The FT-A Gold Mines Index, which more than doubled in the 1989 rally, has only fallen 20 per cent from its recent peak and may not have fully reflected the gloomy outlook for the bullion price. If only Capel, which has to be commended for its ambition in aiming to raise £300m, had launched its trust at the end of last year.

EC FINANCE MINISTERS

Tiny steps towards agreement on EMU

By David Buchan in Galway

EUROPEAN Community finance ministers moved forward at the weekend towards the design of an economic and monetary union (EMU), with Britain's partners hailing a "constructive" change of tack by Mr John Major, the UK Chancellor of the Exchequer.

The year-long impression of Britain being engaged in a solo fight against EMU was considerably softened at the informal meeting at Ashford Castle, near Galway, as Mr Major pitched into a discussion of what budgetary disciplines should accompany EMU and found himself far from totally isolated.

UK differences no longer stood out so starkly in a debate which saw Germany, supported by the Netherlands, calling for binding ceilings to be placed on individual states' budget deficits, and most other states, including France, sharing to some extent British antipathy to this idea.

Bonn's stance on this, and its disparagement of the European Currency Unit as the putative single currency, brought an outburst from Mr Jacques Delors, the Commission president, who complained after the meeting of being "badly repaid" for his early vocal support for German unity.

Mr Albert Reynolds of Ireland, who chaired the meeting, said much work remained to be done, both on the design of a European central bank system – on which treaty negotiations will start in December – and on the problem of transition from the first stage of closer EC monetary co-operation due to start on July 1.

But at least, during their Saturday discussions in this neo-gothic castle in County Mayo, ministers settled some aspects of how to prevent countries misusing EMU to go on a spending spree. All, including Mr Major, agreed the EuroFed – the proposed EC central bank – would not be allowed to bail out – or print money for – spendthrift states. Generally, however, they shied away from the idea – contained in a report prepared by their officials – of dragging such states before the Court of Justice for budgetary indiscipline.

Mr Major would only admit to "a change of tone, not of substance" in his Government's position. Britain still preferred the notion of freely competing monetary policies to a single money zone, and the UK parliament "could not accept budgetary restraint on sovereignty," he said.

But Mr Wim Kok, the Dutch Finance Minister, summed up the general view when he said Mr Major had taken some "mouse steps" foward by signalling those aspects of the final EMU blueprint he could accept. The result, said Mr Kok, was that the UK "is following the others at some distance, but the distance is not getting any larger."

The gap over the fiscal dimension of EMU was highlighted by Mr Theo Waigel, Bonn's Finance Minister, who told his EC colleagues that "budgetary discipline is for me a central element for the success of EMU."

If Germany's partners could not accept central EC rules on their spending habits, then he suggested they should copy the automatic German formula which restricts budget deficit increases to the rise in public capital spending.

By contrast, the Commission, knowing German budgetary recipes to be unpalatable to most states, has proposed that states write their own deficit-control laws.

The recent Commission report on EMU also says that the Community should aim to make the Ecu basket currency its single money, rather than just locking together the rates of the 11 existing national currencies.

Mr Waigel and Mr Karl Otto Pöhl, the Bundesbank president, repeated their concerns that the D-Mark might be undermined by the promotion of a parallel money such as the Ecu. This, in turn, led Mr Delors to comment that Europe's common money could not be one of its present national currencies and that "the Germans must realise that one can do something without affecting the D-Mark."

● The applications of Norway and Austria for associate membership of the European Monetary System should be considered in the context of the forthcoming trade negotiations of these countries and their partners in the European Free Trade Association with the Community, EC finance ministers decided at the weekend.

Mandela to meet de Klerk informally

By Patti Waldmeir in Johannesburg

MR NELSON MANDELA, deputy president of the African National Congress (ANC), yesterday said he would hold an informal meeting later this week with President F. W. de Klerk of South Africa, suggesting that formal talks between the two sides may not be seriously delayed.

On Saturday, the ANC had announced it was postponing the first ever formal negotiations with Pretoria, due to have begun on April 11, provoking surprise and dismay in government circles, and among liberal whites and western governments.

The ANC cited police brutality against black demonstrators as the reason for the postponement, condemning especially the deaths of at least 11 blacks at the hands of police in the township of Sebokeng last Monday.

However news last night that Mr Mandela would answer a personal invitation from Mr de Klerk – and would meet him, alone, to discuss the recent explosion of violence in South Africa's townships – indicates that the postponement may be only temporary, and stresses Mr Mandela's desire to maintain contact with Pretoria.

Mr Mandela, addressing one of his biggest public rallies yet, at the eastern Cape town of Port Elizabeth, said the ANC would approach the Government to set a new date for talks as soon as effective action was taken to stop police brutality.

He stressed that he would not lead an ANC delegation to the meeting with Mr de Klerk, which he said would take place after his planned visit to the warring townships of Natal today.

He praised Mr de Klerk before a crowd of tens of thousands at Port Elizabeth, saying he was the first South African leader to "come to terms with reality."

But the actions of police were in direct conflict with the public positions of Government, he said, adding "our people in the townships are experiencing a reality no different from that experienced under Botha and Vorster (former South African leaders)."

Speaking in the Ciskei black homeland on Saturday, Mr Mandela spoke even more bluntly:

"If the Government talks about negotiations on one hand and massacres our people on the other hand, we cannot tolerate that."

Extremists blamed for London protest violence

Continued from Page 1

those tactics as a "smear" which showed how desperate the Government had become.

The violence of the protest may well undermine the effectiveness of the largely peaceful mass protests in the English provinces by linking even these to the activities of a small mobile element determined to cause trouble.

But the reaction to the riot itself is unlikely to dominate the poll tax debate for long. The announcement of which councils will have their expenditure "capped" by central Government is expected tomorrow

The Prime Minister yesterday expressed her "absolute horror" at what had occurred in the demonstration.

Mr Kinnock condemned the "criminals and anarchists" responsible for the violence, saying: "Like every other democrat, I regard them and treat them as enemies of freedom".

But Mr Chris Patten, the Environment Secretary, called on Mr Kinnock to withdraw the party support from the Labour MPs involved in the non-payment campaign.

Mr Bryan Gould, Labour Party environment spokesman, said that yesterday's rally was "nothing to do with the Labour Party."

"It is very regrettable that ministers have sought to make party advantage out of what was a very shocking law and order issue," he said.

Sixty-eight people in custody are to appear before magesitrates' courts in London today charged with public order offences, looting, theft, burgary, and assault. A further 273 have been bailed to appear at a later date.

● *Philip Stephens writes:* Mrs Margaret Thatcher meanwhile made a determined attempt at the weekend to squash speculation that she might stand down as Prime Minister before the next general election, insisting that there would be "no vacancy".

The Prime Minister re-affirmed her commitment to review the working of the poll tax, and promised a conference of senior party activists that the Government's present difficulties with high inflation and mortgage rates and the political backlash against the poll tax disguised a "shining future within our reach".

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	18	64	Malta	S	18	64	Rhodes	S	20	68
Algiers	F	22	72	Edinburgh	S	14	57	Manchester	S	15	59	Rio de J'o	F	35	95
Amsterdam	S	17	63	Faro	R	16	61	Manila	F	35	95	Rome	S	18	64
Athens	F	18	64	Florence	S	20	68	Melbourne	C	19	68	Salzburg	S	20	68
Bahrain	S	22	72	Frankfurt	S	17	63	Mexico City	C	27	80	San Francisco	C	9	48
Bangkok	F	34	93	Funchal	F	18	64	Miami	S	21	70	Seoul	S	15	59
Barcelona	F	16	61	Geneva	S	15	59	Milan	S	18	64	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	R	15	59	Montreal	C	3	37	Stockholm	C	13	55
Belfast	C	12	54	Glasgow	F	11	52	Moscow	S	6	43	Strasbourg	S	17	63
Belgrade	S	15	59	Guernsey	S	13	55	Munich	S	17	63	Sydney	F	23	73
Berlin	S	17	63	Helsinki	S	10	50	Nairobi	-	-	-	Taipei	C	24	75
Biarritz	F	18	64	H. Kong	C	26	79	Naples	S	20	68	Tangier	C	15	59
Bombay	S	31	88	Innsbruck	S	19	66	Nassau	C	29	84	Tel Aviv	C	13	55
Bordeaux	S	20	68	Inverness	F	11	52	New Delhi	F	26	79	Tenerife	S	20	68
Brussels	S	19	66	Islamabad	F	22	73	New York	C	6	43	Tokyo	S	21	70
Budapest	S	18	64	Istanbul	S	14	57	Nice	S	18	64	Toronto	C	4	39
B. Aires	F	24	75	Jakarta	-	-	-	Nicosia	S	19	66	Tunis	C	17	63
Cairo	S	18	64	Jersey	S	15	59	Oporto	F	19	66	Valencia	C	14	57
Cape Town	S	19	66	Jo'burg	F	20	68	Oslo	C	11	52	Venice	S	19	66
Caracas	C	27	81	Lima	F	25	77	Paris	S	20	68	Vienna	S	16	61
Casablanca	C	20	68	Lisbon	R	14	57	Peking	-	-	-	Warsaw	S	17	63
Chicago	R	7	45	London	S	19	66	Prague	S	16	61	Washington	C	9	48
Cologne	S	18	64	Los Angeles	C	13	55	Reykjavik	F	-2	28	Zurich	S	16	61
Copenhagen	S	12	54	Luxembourg	S	16	61								
Corfu	S	22	72	Madrid	R	12	54								
Dallas	S	12	54	Majorca	C	15	59								
Dublin	S	12	54	Malaga	T	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Armour in Lithuania

Continued from Page 1

middle ground" with Moscow, although it is not clear what such ground might be, short of outright abandonment of independence, which would be acceptable to Mr Gorbachev.

The Soviet leader's address to Lithuanian leaders, carried on national television on Sunday, urged that they "immediately annul the illegal acts" they had adopted.

"If the voice of reason is not heeded now, developments can have grave consequences for all of us," Mr Gorbachev said.

The war of attrition was intensified with the departure from the republic by midnight last night of virtually all remaining western correspondents – under protest, but at the firm insistence of the Soviet Foreign Ministry.

Moscow also tightened the ratchet at the weekend by apparently sending in Soviet troops to occupy the offices of the Lithuanian procurator.

Tass, the Soviet news agency, reported yesterday that the occupying troops numbered only three and were in fact from the Lithuanian Interior Ministry. But officials at the republic's parliament disputed this as "disinformation."

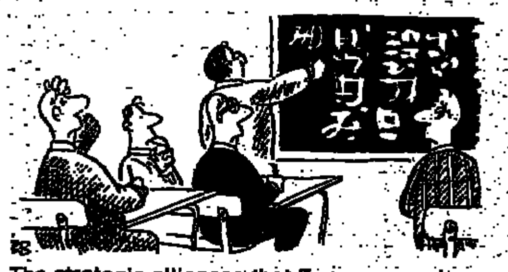
FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 2 1990

INSIDE

Battle for Mondadori takes a new twist

The saga of the battle for Mondadori, Italy's leading publisher, continues with more twists and turns than a Hitchcock thriller. Tomorrow, however, the balance could be tipped. A crucial shareholders' meeting, originally scheduled for Saturday, could resolve the uncertainty facing the company. The meeting was delayed amid signs that the protagonists may be nearing a settlement. Page 21

Learn how to learn

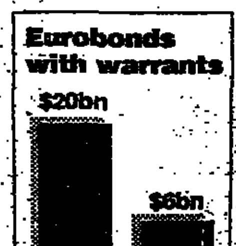


The strategic alliances that European and American companies are forging with their Japanese rivals will be unequal bargains unless the westerners do better at learning from them, argues Christopher Lorenz in the Business Column. Back Page

New favourite wins converts

Reckitt & Colman is one recent convert to a new fund-raising technique that has started to dominate British corporate finance markets: the convertible capital bond. Finance directors like it because the bonds can be classed as equity on the balance sheet. Philip Coggan reports. Page 23

Eurobonds fall on hard times



After a difficult quarter in the Eurobond market, marked by the slide in the equity warrants market, the list of leading underwriters looks markedly different from a year ago. There is an inexorable concentration of business as fewer houses demonstrate the capacity to conduct broad Euromarket operations. Andrew Freeman looks at the impact of the decline in equity warrants. Page 20

Market Statistics

Companies in this section

Chinese dragon builds its HK treasure hoard

John Elliott talks to the man behind Peking's investment arm in the colony

"MY PHILOSOPHY is that if there is no competition, then there is no progress. Look at China – they don't like competition so they have limited progress." These might seem unremarkable sentiments – except that they come from Mr Larry Yung, the Shanghai-educated electrical engineer *who heads the increasingly* acquisitive Hong Kong offshoot of Peking's China International Trust and Investment Corporation (Citic).

Mr Yung, aged 48, is clearly pleased with his adoption of what he calls the "Hong Kong style." He left the mainland 12 years ago to run his own manufacturing business in the colony, and has a reputation for enjoying a capitalist's life style.

Since Citic Hong Kong (Holdings) was set up in 1987, he has built its assets up to more than US$1.5bn. In the past couple of months it has swallowed a 20 per cent HK$10.3bn ($1.3bn) stake in Hongkong Telecommunications (which was completed last Thursday), and has added a 38 per cent stake in the small regional Dragonair airline to the 12.5 per cent it already owned in Cathay Pacific Airways.

Along with the Dragonair deal, Citic acquired a small quoted property company called Tylfull which now holds the Dragonair stake and is expected to be the focus of the next stage of Citic's development. Mr Yung says that this satisfies Citic's ambition to have an active, quoted company on the Hong Kong stock market. "We want Tylfull to become a Citic vehicle and convert it into a diversified investment company," says Mr Yung.

The move into Dragonair ended the small airline's international ambitions. This has removed a competitor to Cathay and raised questions about whether Citic has a preference for monopolies and restricted competition that would run counter to Hong Kong's free market ethos.

For example, would Citic lobby against the Hong Kong Government's embryo plan to end Hongkong Telecom's monopoly on voice communications when current arrangements expire in 1995, two years before the colony returns to Peking's sovereignty? Would it then move in on the colony's two electricity suppliers – Hongkong Electric, controlled by Mr Li Ka-shing (who is close to Citic), and China Light and Power, controlled by Lord Kadoorie – and try to bring them together?

"We must have competition, but sometimes there is a case for co-operation," says Mr Yung explaining that the move into Dragonair, made jointly with Cathay, had ended "unproductive" fights between the airlines over routes.

For Telecom, Citic would lobby the Government "and do our best to get an extension" of the voice monopoly. But the feasibility study it carried out before buying the 20 per cent from Cable and Wireless of the UK "was based on an assumption that the monopoly would end and that this would not lead to substantial competition or reduced profitability for several years."

The financing package on the purchase of the Telecom shares decrees a six-month standstill on further substantial investments. "We are in for a period of digestion," says Mr Yung, who has shown with the acquisitions that his organisation is thriving, despite China's political and economic problems and despite corruption allegations which hit Citic in Peking a year ago.

"On the whole, there has not been any change, and our corporate mission to develop into a window for China, providing technology, management and hopefully capital, is still there." But, he added with a smile: "A window is still a window – sometimes widely open and sometimes not so wide, but still there."

He acknowledged that China's economic retrenchment, and the State Council's wish to exert more control over economic development, had hampered the overall ability of Citic in Peking to invest in China. From Hong Kong he had only been able to set up one major project in China – a 750MW power station in Jiangsu Province which might be expanded by another 600-700MW, plus two smaller power stations.

"This, however, does not affect us operating in Hong Kong, providing we are self-sufficient on profitability and financing – otherwise, how could I have done the Telecom and Dragonair deals?"

Self-sufficiency "with profitability as our main aim" is the basic point governing the Hong Kong operation. This has led to quick profits being realised on some shipping and local property deals, although there have been fewer of these recently, plus longer-term infrastructure investments in telecommunications, aviation, the colony's eastern harbour crossing, and the AsiaSat communications satellite. About 60 per cent of the assets are now in telecommunications, with 20 per cent in aviation and 10 per cent in power stations.

Yung: head of an increasingly acquisitive branch of Citic

Mr Yung is thinking about putting the Jiangsu power station into Tylfull's portfolio when it comes on stream next year. This might be followed by the AsiaSat and harbour crossing stakes, plus other investments.

Mr Yung rejects local allegations that Peking is using Citic to seize control of key parts of Hong Kong's infrastructure ahead of 1997. "No leader in Peking has asked me to take stakes in the infrastructure for control in 1997."

The Hongkong Telecom stake was a "good investment" at the buying price of HK$4.47 a share, he says. Citic had turned down an offer from Cable and Wireless in February 1988 of a substantial bloc of the shares because the market price then of about HK$7 was "too high." The investment in Telecom would not have been made if the consortium, including Citic, led last year by Mr Li Ka-shing had won Hong Kong's *cable television and telecommunications* services franchises, because there would have been a conflict of interest.

The Dragonair investment had a "wider aim" because of the intention, now achieved, of co-operating with Cathay which yesterday handed its Peking and Shanghai routes over to the smaller airline. Mr Yung insists, however, that the move "was initiated by Citic Hong Kong, not by Peking," even though the state-owned Xinhua News Agency already had a 26 per cent stake in Dragonair.

Paying the high costs of tax evasiveness

IT MAY seem a mere April Fool's Day coincidence which connects the troubles of Mr Timothy Ryan and Mr David Hunt.

Both men surely qualify for the Short Straw, a gold replica to be awarded to those who volunteer hopeless jobs: Mr Ryan as President George Bush's nominee to run the Office of Thrift Supervision (OFS) and Mr David Hunt as the unhappy British minister responsible for defending the community charge – the new tax which provoked riots in Trafalgar Square bad enough to dominate the US television bulletins.

On the surface, the cases look quite different. Proper analysis, however, shows a more substantial connection: both are carrying the can for fiscal evasions a decade or more old. It also provides a little-remarked reason for expecting US interest rates to fall rather than to rise during 1990, so the question is not simply political or academic.

The British case, which may be worth explaining to baffled viewers in other countries, is blessedly simple: Mrs Thatcher herself invented the problem which the poll tax is now failing to solve.

She was determined to cut personal taxes when she came to office, but the national accounts allowed for no loss of revenue.

Mrs Thatcher attacked the problem in the same way former President Ronald Reagan did. Central government support for local government was cut. This made it possible both to cut national taxes, and to pass the odium for making good the loss on to her political opponents at the local level, a neat evasive manoeuvre.

This placed an impossible burden on a rickety British version of the property tax, known as the rating system. The manoeuvre was doubly evasive, since the system could have been fixed with timely – though unpopular – revaluations.

The end result in Britain is ironic: the Government is trying to fix its brand new tax system by passing many of the heaviest burdens back to the national budget, where they started. It seems, then, that the new system is not only more unpopular than the *old, but even less capable of* doing the job.

In America this particular evasion has been successful. The states have full taxing powers, constrained only by the need to win elections under balanced-budget rules, and have been able to take up the burden placed on them – under protest.

However, this was only one item in the list of evasive accounting devices used by Mr Reagan – and, in some cases, by his predecessors – to buy political benefits without actually having to send any bills to taxpayers.

It is these other devices which have made a near-fatal mess of the property market, wrecked part of the thrift industry, and now threatens the regional banks.

The oldest of these came and went many years ago: Regulation Q, which was designed to provide cheap finance for housing through market-rigging rather than through an actual, expensive subsidy. This simply barred the banks from competing with the thrifts for retail deposits.

This was an early victim of the high, volatile interest rates and deregulation of the 1970s, and its abolition left the thrifts paying more for deposits than they were earning on mortgages.

By Anthony Harris in Washington

This, then, is an old story; and so is the story of how Congress tried to help the industry gamble its way out of its losses by plunging into high-yielding markets it did not understand, and how the Reagan Administration compounded this folly by adopting a blind-eye supervisory system (mainly by starving it of manpower). This created the mess which Mr Ryan has been nominated to clear up.

What is not so familiar, and therefore makes this story worth retelling, is how two praiseworthy US government policies have *actually undermined the property* market still further – and are undermining the remaining thrifts, too. These are the tax reform of 1986 and the subsequent attempt by the Bush Administration to clear up the whole mess.

The new troubles of the thrifts arise from the efforts of the Treasury and its liquidation agency, the Resolution Trust Corporation (RTC), to minimise the book cost of winding up the failed thrifts which have already fallen into their care. The RTC has, for example, claimed the right to pay off the high-yielding certificates of deposit of failed thrifts and replace them with cheaper Treasury-quality paper.

This looks sensible, but it has created what the market has already christened CD Truncation Risk, and thus raised the margin which the supposedly healthy thrifts have to pay over prime-quality deposits. Equally, the RTC's efforts to minimise taxpayer liabilities in the mortgage-backed security market has created immeasurable new risks there and made the paper difficult to value.

This means further troubles for the thrifts. They rely on the mortgage-related market to unbundle the interest-rate risk inherent in fixed-rate lending; and they apparently rely on a proportion of fixed-rate lending to establish their claim in the eyes of the Internal Revenue Service to the special tax treatment which gives them their only cost edge over the banks.

The banks, meanwhile, complain that the RTC refuses to make realistic allowance for the costs and risks it has imposed when it offers them for sale: result, they won't buy, and the RTC-attempted economies seem to be blocking its own path. But this will hardly worry the banks, who have enough tax-born troubles of their own.

The measure which undermined the commercial property market – and also, as it happens, *the after-market for bankrupt* thrifts – was the restriction placed on "grandfathering" (the carry-over of tax losses) under the 1986 reform.

Again, this can be regarded as a clean-up: the old rules were absurd loopholes. All the same, the change has undermined the financing of a great deal of property development. That is why the regional banks are beginning to publish losses comparable to those of the big thrifts – $1.1bn last year for the Bank of New England alone.

This is a national disaster, with huge commercial vacancy rates (typically near 20 per cent) from coast to coast.

It may be years before we have the full measure of the disaster; *but the bank boards and supervi*sors are already aware of an abyss. Hence, the heavy write-offs, the provision of new reserves and the virtual freezing of property finance even in once-boom areas such as Washington D.C.

What started as an evasive attempt to conceal the cost of political programmes has ended, not in political, but in financial bankruptcy – what amounts to a prudential and supervisory deflation. And that, as we learned in another context eight years ago, tends to drive rates down, not up.

Economics Notebook

When inflation just won't add up

WITH inflation in Britain heading towards an annual 9 per cent and possibly beyond, the retail prices index (RPI) has supplanted the monthly balance of payments figures as the UK's most closely watched economic indicator.

Inflation has become the "judge and jury" of British government economic policy to an extent that Mr Nigel Lawson, the former Chancellor, could hardly have imagined when he coined that phrase in the mid-1980s.

The RPI acts as a base level for wage negotiators. It also determines how state retirement pensions and several social security benefits are upgraded and *sets the level of* interest paid on index-linked national savings and indexed gilt-edged stocks.

Thus, the reliability of the RPI is a matter of some importance and last week the House of Commons Public Accounts Committee subjected the index and the people who assemble it to detailed scrutiny.

The RPI is based on a basket of goods and services that is meant to represent what people actually buy. Its compilation each month involves the collection of about 120,000 prices for some 600 items. The job of collecting the prices has been done by the Department of Employment since the late 1940s. The Department was responsible for issuing the figures until August *last* year. But that is now handled by the Central Statistical Office (CSO).

Like all indices, the RPI is a compromise. Sir Jack Hibbert, CSO director, told the committee that it "can't be expected to do all things for all men."

Not everybody smokes or drinks alcohol, but tobacco and alcoholic drink account respectively for 3.4 and 2.7 per cent of the index weight. The index also contains some oddities.

According to Sir Geoffrey Holland, the permanent secretary of the Department of Employment, one of the prices his offices have to gather is that for "sending one red rose by Interflora to Watford."

For many people, inflation in recent months will have meant above all the rising cost of housing, and more particularly, higher mortgage interest rates. But mortgage interest payments are only partly taken into account in the index. The cost of acquiring the house as a capital asset or servicing the credit that finances its purchase are not included in the retail prices index.

Instead, monthly mortgage *outgoings are included in the* RPI as an imputed rent that is meant just to represent the cost of obtaining the "service" of housing. Thus, the CSO has determined that mortgage interest payments should account for 7.5 per cent of a typical household's monthly outgoings in 1990: a level that must seem low to many mortgage payers.

In collecting the statistics, the employment offices also deal with a host of nitty gritty problems. One is the tendency for manufacturers to withdraw product lines or change their packaging. A National Audit Office (NAO) report on the RPI earlier this year found that almost 30 per cent of specific items for which prices are col*lected at the beginning of the* year become unavailable in the course of the year.

The actual process of collecting the statistics was a matter of considerable concern to the Members of Parliament on the Public Accounts Committee.

The NAO report found that there were significant variations in local price collection practices among the 175 employment service offices charged with gathering RPI data. While there was a theoretical maximum of 175,000 prices to be collected locally each month, in general only about 95,000 prices were collected. The NAO found a high staff turnover of price collectors with no formal training.

The NAO surveyed nine offices in June 1988 and found that the prices collected in eight of them ranged from 42 to 84 per cent of the theoretical maximum. Only one of the eight managed to gather the prices on the appointed "index day."

One office selected for survey – Camden – was on strike and so provided no data. It later transpired that Camden collected prices in rotation *from only one-third of its listed* retail outlets each month because of staff shortages. For the remaining two-thirds of the outlets, price data was copied forward from price collection forms for the previous month.

The Employment Department's Sir Geoffrey Holland last week admitted that it was difficult to get people to meet the required standards of price collecting. His offices often had difficulty handling the job in addition to dealing with benefit claimants. He said the Government was looking at the possibility of contracting out the job of obtaining price data to market research companies.

However, Sir Jack Hibbert of the CSO opined that over 12 months the RPI was likely to be accurate to within 0.1 percentage points.

This assurance proved to be of little comfort for the Public Accounts Committee. By coincidence, a computer error between February 1986 and October 1987 led to a 0.1 percentage point understatement in the inflation rate, which resulted in a £116m ($190m) underpayment of pensions and benefits in that period.

Peter Norman

THIS WEEK

THE MEETING of finance ministers and central bank governors from the Group of Seven leading industrial nations in Paris on Saturday is likely to be a dominant influence on financial markets this week.

Although few analysts expect much will emerge from the meeting, markets can be expected to focus on some of the underlying problems facing the world economy as the G-7 talks draw nearer.

Figures today for Japan's foreign exchange reserves in March will highlight one of these problems: the recent weakness of the yen. The reserves are expected to show a large fall, reflecting Bank of Japan intervention to support the yen.

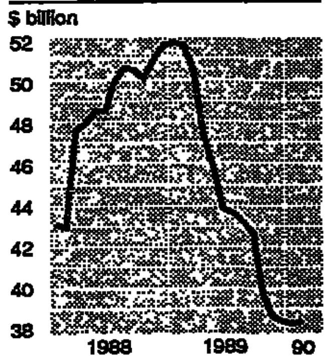
On Friday, the US publishes its non-farm payroll figures for March. Together with today's index from the National Association of Purchasing Managers (NAPM), this widely-followed, monthly economic statistic should provide the latest guide to inflationary pressures in the US.

In Britain, attention will focus on Tuesday's appearance of Mr John Major, the Chancellor, before the House of Commons Treasury and Civil Service Committee to discuss last month's budget. The Government also publishes the official reserves for March that day. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is that the reserves will fall by $300m.

Events and indicators (with MMS consensus in brackets) include:

Today: UK, February final retail sales; February credit business (£200m increase in net outstanding); fourth quarter finished steel consumption and stock changes. US, NAPM index for March (48.3 per cent); construction spending for February (up 0.5 per cent); US and Japan continue talks on so-called Structural Impediment Issues in Washington.

UK official reserves



Canada, annual meeting of Inter-American Development Bank begins in Montreal.

Tomorrow: US, leading indicator for February (down 0.7 per cent). Switzerland, Gatt's ruling council holds monthly meeting to consider trade disputes in Geneva. Moscow's application for observer status will be formally discussed for the first time.

Wednesday: UK, advance energy statistics for February; meeting of the tripartite National Economic Development Council. US, domestic car sales for March. West Germany, March unemployment (down 15,000).

Thursday: UK, February housing starts and completions.

Friday: US, March non-farm payrolls (up 175,000) and civilian unemployment rate for March (5.3 per cent), consumer credit for February (up $3bn). Canada, March unemployment. France, Franco-German economic consultations in Paris.

Saturday: Group of Seven finance ministers and central bank governors meet in Paris.

During the week: W Germany, February manufacturing orders (up 1.5 per cent), industrial production (flat), trade and current account balances (DM11bn and DM8bn). March final cost of living index (up annual 2.7 per cent).

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Soviet arrears fail to impede Aeroflot deal

THE SOVIET Union's mounting arrears on its import payments have not impeded its ability to arrange financing for its first-ever purchase of Western aircraft at interest rates normally accorded only to the world's best borrowers.

Aeroflot, the Soviet airline, has obtained a $350m financing to cover the purchase of five Airbus Industrie A310-300 wide-bodied jets, the first of which is to be delivered in late 1991. A special purpose company, based in France, will own the aircraft and lease them to Aeroflot.

When the loan is repaid 12 years from now, ownership of the planes will revert to Aeroflot. The loan is said to carry a margin of ¼ per cent but when the effects of French tax laws on lease arrangements are taken into account the Soviet Union will be paying a rate somewhere below Libor.

The financing occurs just as the French Government has agreed to delay for five years a FFr300m trade payment owed by the Soviet Union to Lurgi France, the French arm of a West German-owned engineering group. The company's announcement was the first admission by a leading Western creditor that it has had to restructure the financing of a large project in the Soviet Union. French officials stressed that they did not expect the restructuring to be repeated for other borrowings.

Meanwhile, in a significant setback to the Western governments backing the Aeroflot loan through their export credits guarantee agencies, the Soviet Union's own guarantee is provided only by its Ministry of Civil Aviation. The export credits guarantee agencies had originally sought a guarantee from Vnesheconombank, which controls the supply of foreign exchange in the USSR. Nearly all of Soviet foreign borrowing is arranged via Vnesheconombank while the Ministry of Civil Aviation has no access to foreign exchange on its own.

As is typical with purchases of Airbus planes, the financing is 85 per cent guaranteed by Coface, the French agency, Hermes, the West German agency, and the Export Credits Guarantee Department of the UK. Commercial bank financing is being arranged jointly by Crédit Lyonnais, Dresdner Bank, Moscow Narodny Bank and Banque Commercial de Europe du Nord, itself an arm of Vnesheconombank.

Up until late last year the Soviet Union had an impeccable record for punctual repayment of debt and, as a result, was able to borrow at very fine terms. But its delays in making payments to trade creditors are likely to have changed that.

Still, bankers involved in the aircraft deal point out that the structure offers considerable comfort for them, even if the guarantee agencies are unhappy. For one thing, the loans are secured by the aircraft themselves – assets which have proven to increase in value over time due to demand for a limited supply. And as part of the government-sponsored insurance cover the aircraft are carrying repossession insurance in case, on default, the Soviet Union declines to turn them over to the lenders.

And while the Ministry of Civil Aviation has no foreign exchange of its own, Aeroflot itself is a large generator of foreign currency which can be used to service debt.

The existence of insurance cover – albeit only on 85 per cent of the commercial bank debt – allows banks to treat the loans as government risk, which carries a zero risk weighting for capital adequacy purposes. French banks must set aside capital for only 5 per cent of their lending on the project to borrowings, thus cutting their costs and making the deal more attractive.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,197.7	0.0	0.0	11,546.3
Prev	2,441.0	0.0	45.0	11,733.8
Other	1,783.4	0.0	348.0	2,859.4
Prev	955.4	7.1	1,092.8	3,307.1
Secondary Market				
US$	23,323.5	754.4	10,910.1	8,409.1
Prev	24,414.5	726.4	6,024.4	7,787.4
Other	21,144.5	956.9	3,921.4	43,280.8
Prev	22,264.6	730.5	5,820.7	39,970.5

	Cedel	Euroclear	Total
US$	13,807.7	42,333.4	56,141.1
Prev	14,030.9	39,141.6	53,172.5
Other	31,342.8	42,951.6	74,294.4
Prev	30,074.5	44,074.2	74,148.7

Week to March 29, 1990

Source: AIBD

INTERNATIONAL BONDS

Tough first quarter triggers underwriter shake-out

THE first quarter of 1990 will be remembered as one of the toughest periods faced by the Eurobond market in recent years. The sharp and sudden reduction in Japanese equity warrant business has put great strains on the market's already fragile profitability and has caused a significant shake-out among underwriters.

In simple volume terms the public markets have shown some resilience in the face of the unexpected absence of Japanese equity warrants. Total issue volume of $43.12bn equivalent is unspectacular, but far from disgraceful.

In 1989 the first-quarter figure was $61bn while in 1988, following the October 1987 crash, it was about $44bn.

The impact of the decline of equity warrants needs to be put in perspective.

Last year over the same period some $19.75bn of bonds with warrants was launched, the bulk of it for Japanese companies. This year the comparable figure is just $6.2bn, indicating that the extraordinary volatility on the Tokyo stock market affected the Euromarket almost immediately.

The table of leading underwriters provides further evidence – this year's list is dramatically different from its 1989 equivalent. Then, with the equity warrant business in full flow, Japanese houses dominated the top positions.

Today Nomura stands alone, Daiwa has slipped to 5th place, Nikko to 8th and Yamaichi has dropped from 4th to 15th place.

To some extent this confirms speculation last year over the extent to which the Japanese houses had diversified away from equity warrants.

Nomura is established as the leading Eurobond house, topping the overall table for the second year running. It started diversifying earlier than its rivals and did so most successfully. However, its market share dropped from 17.26 per cent to 12.21 per cent, while its volume of business halved.

Of the other Japanese houses, Daiwa has done the most to spread its presence. In retrospect its $400m straight issue for the Republic of Austria last December was a significant breakthrough. By contrast, Nikko and Yamaichi look distinctly vulnerable in a non-equity-related environment.

Unusually, the table gives a good indication of wider trends in the market. For example, UBS Phillips & Drew enjoyed a remarkable first quarter, rising from 13th place last year to 2nd. If Nomura's $2.65bn of equity warrant business is stripped out, UBS Phillips & Drew claims top spot, while Deutsche Bank would be 2nd.

Arguably, UBS Phillips & Drew is reaping the benefit of a judgment which last year was premature – that the Ecu market would become increasingly institutionalised as demand for Ecu bonds grew. It has also found clearer direction after completing the disruptive merger with Phillips & Drew.

Deutsche Bank's presence has been consolidated, helped by the resurgence of the D-Mark sector, particularly for floating-rate issues. That trend also helped Commerzbank to haul itself from obscurity to 11th place.

Credit Suisse First Boston increased its market share while giving an unintended insight into the difficulties faced by underwriters. As a leading house in the US dollar sector it had to wait until mid-March to bring its first straight dollar deal.

Paribas pulled itself into the top 20 at the last moment, ending up in 17th place, but still failed to maintain its strong momentum of last year.

Bankers Trust and Merrill Lynch both declined sharply to 18th and 29th respectively. Merrill has completed just three deals worth $309.8m. It may be that both houses are operating under tight constraints from their headquarters in New York.

As usual the tables tell only part of the story. Most worrying for underwriters must be the squeeze on profitability that goes with reduced volumes. In particular, Japanese equity warrants used to be translated directly into profits.

While the small club of four Japanese lead managers kept most of the revenue stream, a precious trickle of guaranteed income reached other houses. Now that this has temporarily dried up, underwriters have had to look elsewhere.

What appears to be happening is an inexorable concentration of business as fewer houses demonstrate capacity to conduct broad Euromarket operations. Two forces in particular are acting to this end.

The first is the fixed-price reoffer method of syndicating new issues. When this began last September, as Morgan Stanley brought its deal for New Zealand, few predicted the speed with which it gained acceptance as the typical method of launching large dollar issues.

Its effect has been to put business not only with a smaller number of lead managers, but also with much tighter syndicate groups.

The days of multi-membership on such transactions seem to be over. This has meant that on occasions, when the straight markets are open for possible issues, any profits are being distributed between fewer houses.

The second force is the extraordinary volatility seen on the world's securities markets this year. For underwriters as well as market-makers, volatility greatly enhances the risk of running a book. Clearly, a house with a limited amount of business and profits will find it harder to tolerate and manage risk than a more successful rival.

So where do profits lie in the current market? According to syndicate officials there have been good profits in some straight issues. The main revenue, however, is being earned not in fixed-income but in international equity deals.

Nevertheless, syndicate managers are understandably unwilling to talk down the prospects for the Eurobond market. Private placement activity, although running below last year's levels, is reported to be holding up well, with the emphasis increasingly placed on tailored or structured deals.

Andrew Freeman

EUROBOND ISSUES BY CURRENCY

	1st quarter 1990			1st quarter 1989		
Rank	Currency	Total raised ($bn)	No. of issues	Rank	Total raised ($bn)	No. of issues
1	US$	16.56	81	1	36.16	168
2	D-Mark	6.23	36	4	4.53	33
3	Sterling	6.07	31	2	6.03	34
4	Yen	5.45	86	6	3.23	48
5	Ecu	3.92	25	7	2.84	28
6	Lira	1.18	8	9	0.47	6
7	A$	1.01	19	5	3.38	53
8	FFr	0.94	8	8	0.91	10
9	C$	0.68	7	3	5.17	44
10	Schilling	0.67	1	-	-	-

Source: IFR BONDBASE

TOP EUROBOND LEAD MANAGERS

	First quarter of 1990				First quarter of 1989			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Nomura	5.26	1	12.21	33	10.84	(1)	17.26	47
UBS	3.23	2	7.48	11	1.15	(13)	1.84	9
Deutsche Bank	3.14	3	7.27	16	2.75	(6)	4.38	14
CSFB	2.38	4	5.52	12	3.02	(5)	4.81	19
Daiwa	2.22	5	5.15	18	5.53	(2)	8.80	30
Salomon Brothers	2.21	6	5.13	3	0.73	(20)	1.16	6
J.P. Morgan	1.76	7	4.08	8	2.67	(7)	4.25	12
Nikko	1.70	8	3.95	8	5.51	(3)	8.77	19
Morgan Stanley	1.48	9	3.44	9	1.66	(10)	2.65	16
Goldman Sachs	1.27	10	2.95	4	1.13	(15)	1.79	9
Commerzbank	1.12	11	2.60	6	0.48	(25)	0.77	5
S.G. Warburg	1.01	12	2.35	4	1.42	(12)	2.27	9
IBJ	0.92	13	2.13	9	1.14	(14)	1.81	10
Baring Brothers	0.91	14	2.12	5	0.31	(34)	0.50	2
Yamaichi	0.90	15	2.10	6	3.79	(4)	6.04	19
Midland Bank	0.88	16	2.05	2	1.08	(16)	1.72	7
Paribas	0.86	17	2.00	5	1.57	(11)	2.50	12
Bankers Trust	0.85	18	1.97	12	2.16	(8)	3.45	25
SBC	0.83	19	1.92	7	0.52	(23)	0.83	5
Hambros Bank	0.69	20	1.60	9	1.07	(17)	1.71	13
Industry totals	†43.12			310	62.79			435

† Preliminary Figures – Full credit to book runner

Source: IFR BONDBASE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanwa Canada(i)◆	30	2000	10	(i)	102	Sanwa Int.	-
Hachijuni Asia(j)◆	25	2000	10	(j)	102	Mitsubishi Fin. (HK)	-
AUSTRALIAN DOLLARS							
Council of Europe(f)◆	50	1991	1	17½	101¾	Bankers Trust Int.	15.479
Fin.Co.South Australia◆	50	1992	2	15⅝	101.90	CCF	14.464
NatWest Australia◆	50	1993	3	15⅛	101.70	NatWest Capital Mkts	14.388
Amro Australia◆	60	1995	5	14¾	101.85	Amro Bank	14.208
D-MARKS							
Hydro-Quebec‡◆	500	2000	10	(d)	100	Commerzbank	-
Petroleos Mexicanos◆	100	1995	5	11¼	100	WestLB	11.250
Rautaruukki Oy★★◆	50	1995	5	9¼	100	J.P. Morgan	9.250
SWISS FRANCS							
Oest. Laenderbank(b)#◆	100	2000	-	5¼	100	Handelsbank NatWest	5.250
ECUs							
Italy, Republic of◆	1bn	2000	10	10¾	100.15	Paribas Capital Mkts	10.725
Compagnie Bancaire◆	60	1992	2	11½	101.95	Paribas Capital Mkts	10.371
Belgium, Kingdom of(g)‡◆	300	2000	10	(g)	100	Paribas Capital Mkts	-
LIRE							
ENEL(a)‡◆	500bn	2000	10	(a)	100.50	Banco di Roma	-
LUXEMBOURG FRANCS							
Banque Worms-Paris★★◆	300	1998	8	Zero	48.5	C.d'Epargne de l'Etat	9.467
Union Bk of Norway(h)★★◆	600	1995	5	10	102	Kredietbank Int.	9.479
FGH Finance NV★★◆	300	1995	5	10⅛	101⅞	Kredietbank Int.	9.635
Pabelfima BV★★◆	300	1995	5	10¼	101.95	BGL	9.739
FINNISH MARKKA							
Fastighetsbanken Finland◆	100	1995	5	13	(c)	Privatbanken	-
YEN							
Toronto-Dominion Bank◆	5bn	1996	6	(e)	101⅞	Sumitomo Trust Int.	-
Sallie Mae◆	10bn	1993	3	7.4	101.10	Daiwa Secs.	7.109
Council of Europe◆	10bn	1995	5	7.4	101.20	Daiwa Secs.	7.237

★Not yet priced. ★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays 6-month Libid flat. Call at par on coupon dates from April 1991. First coupon set at 12.7%. b) Each SFr5000 has one warrant to buy 57 participation certificates at Sch687 each. c) Tap issue - up to FM750m may be issued until end December 1990. d) Coupon pays 6-month Libor flat. Non-callable. e) Coupon first year 10%, 8% thereafter. Nikkei stock index linked redemption. f) Dual-currency bond. Borrower option to redeem in either A$ or US$. g) Coupon pays 3-month Limean flat. Call at par on coupon dates from April 1995. h) Launched in two LFr300m tranches. i) Coupon first two years 10⅛%, then 10% thereafter. Call in April 1992. j) Coupon first two years ⅜ over 6-month Libor, then 10.15% thereafter. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Robotron begins to split as units opt for autonomy

By Andrew Fisher in Dresden

ROBOTRON, one of the biggest industrial concerns in East Germany, is beginning to split up as some of its operating companies decide to go their own way, in spite of efforts of top management to keep it together.

"I don't think this kombinat [group] can stay as it is," said Mr Hans Fischer, head of one of Robotron's 21 subsidiaries. "There will be deep and rapid structural changes. The cost pressures are too great."

He was speaking at the opening of a DM200m ($118.5m) printed circuit board plant near Dresden, planned as an in-house supply source for state-owned Robotron to save on import costs.

The pressures on Robotron illustrate the huge problems East German industry faces in coming to terms with the free-market economy after decades of state planning.

Mr Fischer, director of Robotron-Messelektronik, which makes measuring equipment, said the plant could no longer survive just as a supplier to the rest of the group. Thus contacts had begun with foreign companies, such as Mitsubishi of Japan, to find new customers.

One Robotron unit has already signalled its intention to leave the main group. The Sömmerda plant, which makes printers and office equipment, is proposing to turn itself into a shareholding company to be owned mostly by its employees. Sömmerda employs about 11,000 people out of a total Robotron workforce of 65,000 people.

Mr Friedrich Wokurka, head of the Robotron kombinat, has said he wants to keep the group together by forming it into a holding group and inviting foreign partners to take shareholdings. However, Mr Fischer said the idea of remaining as a tied supplier to Robotron was no longer feasible for his company, which has 4,600 employees.

The new Dresden plant, built by West German companies, would be kept busy in the first year by supplying Comecon countries and the domestic market. After that it would compete on the open market. He felt that leaving the main Robotron group would allow 40 per cent of the shares in his unit to be kept in trust for sale to East German citizens, 10 per cent to be offered to employees, and the remaining 50 per cent to be available for outside partners.

Robotron Messelektronik has already signed a co-operation deal with Philips of the Netherlands, while the Sömmerda company has agreed to work with Aquarius, a Taiwanese computer company. Other parts of the group have signed similar deals in specific areas.

Japan set to approve fund management groups

By Ian Rodger in Tokyo

FOUR fund management groups, three British and one US, are expected to win approval to set up investment trust management subsidiaries in Japan later this year.

The four are Warburg Investment Management Japan, Jardine Fleming Investment Advisers (Japan) and MIM Tokyo, all subsidiaries of UK securities groups, and Fidelity Investment Management (Japan), a subsidiary of the US group.

Moves to liberalise Japan's huge Y51,000bn ($324bn) investment trust market have been under way for some time. Only 14 domestic securities companies are now allowed to operate these trusts, and there have been allegations that the lack of competition has meant the performance of their funds has not been outstanding.

Last year 10 foreign securities companies indicated an interest in setting up investment trust subsidiaries, but it seems only four have decided to take the plunge.

The main challenge for the foreign companies will be to obtain distribution for their funds; the four intend to establish links with Japanese securities houses and trust banks to this end.

Many of the companies wanted to sell minority shareholdings in their investment trust subsidiaries to their Japanese partners to cement these relationships. The Ministry of Finance initially opposed this idea, but eventually agreed that up to 30 per cent of the equity could be sold to outsiders, provided no single party held more than 5 per cent.

Warburg will offer about 25 per cent of the equity in its subsidiary, MIM will distribute between 25 per cent and 30 per cent and Jardine about 25 per cent. Fidelity, on the other hand, intends to maintain 100 per cent ownership.

The companies hope to start operating in the autumn and are not put off by the recent stock market fall.

Mr Yoshio Hoshino, president of Jardine, said: "It will be at least six months before we can start. By then the climate will be better."

Mondadori shareholders' meeting delayed for talks

By Haig Simonian in Milan

CONTROL of Mondadori, Italy's leading publisher, hangs in the balance following the postponement to tomorrow of a crucial shareholders' meeting which could resolve the uncertainty facing the company.

The extraordinary shareholders' meeting, originally scheduled for last Saturday, was put off at the request of Mr Silvio Berlusconi, the Italian television magnate, amid signs that he and Mr Carlo De Benedetti, the Italian entrepreneur, may be nearing a settlement.

According to Mr Berlusconi, the delay will "give space for negotiations to see if there is a possibilty of reaching agreement" in the long-running battle for control of the group.

Separately, Mondadori announced that sales jumped to L2,380bn ($1.91bn) last year from L1,495bn in 1988. In a submission to Italy's stock market authority before the shareholders' meeting the company also forecast that gross operating profits would be between L60bn and L70bn higher than the L237bn reported in 1988. However, the group's net financial position has swung from a surplus of almost L220bn at the end of 1988 to indebtedness of L364bn last year.

Mr Berlusconi's willingness to seek a negotiated settlement, possibly along the lines of a division of the spoils set out by Mediobanca, the powerful Milan-based merchant bank, follows a court decision last week appreciably strengthening Mr De Benedetti's hand.

Mr Berlusconi's position has also been handicapped by steps in the Italian parliament to pass legislation limiting the number of linked broadcasting and newspaper interests one group can own. With three television channels under his belt, Mr Berlusconi would be certain to fall foul of the new regulations, failing a special arrangement in his favour.

Less clear are the reasons for Mr De Benedetti's preparedness to call a truce when victory appears so close. He suffered a string of setbacks this year following a reversal of shareholding alliances at Amef, the holding company controlling a bare majority of Mondadori's ordinary shares.

Mr De Benedetti's Cir group has had a boost following last week's court decision which appears to bring control of Mondadori's affairs within his grasp.

Philips brushes off toothbrush subsidiary

By Laura Raun in Amsterdam

PHILIPS is not only an electronics giant. The Dutch group has another, less well-known claim to fame – it is the world's biggest toothbrush maker.

However, it is to lose its dominant position in this market with the sale of Anchor Advanced Products of the US to the toothbrush subsidiary's managers.

Philips has brushed aside questions about the sale price, saying only that Anchor was in the black and had sales of Fl 140m ($73.6m) in 1989.

The unit was bought by the Dutch group in 1967. But Philips had a hard time remembering exactly why Anchor was bought and could not say how many toothbrushes it made.

It seems that in the mid 1960s North American Philips Corporation, the Dutch company's US subsidiary, got its teeth into a variety of businesses, including pharmaceuticals, furniture, buses and musical instruments. But it has since sold most of these companies.

Anchor, which no longer fits into the corporate strategy of Europe's largest electronics maker, will be bought by senior managers and Thomas H. Lee Company, a private investment firm based in Boston.

GAF vice chairman faces jail

MR JAMES Sherwin, vice chairman of GAF, has been sentenced to six months in jail for manipulating the stock price of Union Carbide, a competing chemical company GAF had tried to acquire in 1986.

Judge Mary Johnson Lowe said the prison term would "send a message" to others thinking of abusing the market.

Mr Sherwin was convicted in December of making a secret agreement with Jefferies, a Los Angeles stock brokerage, to buy blocks of Union Carbide stock to drive up its price. This enabled GAF, when its takeover bid failed, to unload its stake in Union Carbide for $5m more than at earlier market prices.

The prosecution said Mr Sherwin had acted "out of greed and not financial necessity."

Speaking to the court for the first time, Mr Sherwin did not admit at his sentencing to any wrongdoing. He will appeal.

Slow quarter for US takeover activity

By Roderick Oram in New York

WALL STREET saw little improvement in its business during the first quarter. Takeover activity continued to contract while debt and equity underwriting volumes advanced moderately from year-earlier levels, although they were well down from late 1989 levels. Fees were also slightly higher.

The value of acquisitions launched in the period slipped to $59.3bn from $63.7bn a year earlier and the number of deals fell to 371 from 414. There were fewer hostile deals and more mid-sized ones.

IDD Information Services, which compiled the data, said: "This decrease seems to indicate that the flurry of mega-deals and hostile transactions characterising the late 1980s may finally be subsiding."

Shearson Lehman Hutton was the leading financial adviser with 25 deals worth $25bn. Wasserstein, Perella was second (nine deals worth $24.5bn), Goldman Sachs third (12, $23.4bn) and Lazard Frères fourth (13, $21.4bn).

Total underwriting volume of domestic US bond and equity issues in the quarter rose to 1,392 issues worth $78.07bn from 931 worth $72.37bn a year earlier. But the latest period was well below offerings worth about $90bn in the fourth quarter of last year.

Merrill Lynch was first (173 issues, $13.16bn, compared with first place with 105 issues worth $13.38bn a year earlier), Goldman Sachs was second (126, $11.69bn; second, 88, $10.69bn) and Morgan Stanley third (67, $10.38bn; fifth, 50, $5.3bn).

Of the total, non-convertible debt issues accounted for 1,252 deals, worth $69.48bn, against 845, worth $67.7bn, while common stock issues totalled 113, worth $7.12bn, against 68, worth $3.9bn.

Total fees booked by Wall Street firms edged up 5 per cent in the quarter to $592m from $564.1m a year earlier.

Accor advances to FFr606m

By William Dawkins in Paris

ACCOR, the leading French hotel and restaurant group, yesterday reported a 29 per cent increase in net operating profits last year, to FFr606m ($106.8m) against FFr469m in 1988.

This is a slowdown from the previous year's 40 per cent profits growth, but the group, which is the world's eighth largest hotel company, said it was aiming to lift net profits this year by 33 per cent to FFr806m.

Asset sales brought net attributable profits including exceptionals up to FFr736.6m last year, a 29 per cent increase on the previous period's FFr570.8m.

Group sales, managed by Mr Gérard Pélisson and Mr Paul Dubrule, rose from FFr16.4bn to FFr19.9bn as the number of hotels in operation or under development rose by 109 to an end-of-year total of 856.

Accor plans to open another 120 hotels this year in Italy, Britain, France, Spain and the Far East.

The group attributed the profits rise to a generally favourable economic environment in Europe and a good year for tourism, which led to an increase in occupancy in all its hotels.

Snia reveals 20% decline in net profits

SNIA BPD, the textiles, chemicals and munitions subsidiary of Italy's Fiat group, reported a fall of almost 20 per cent in net profits to L68.2bn ($54.7m) last year from L84.9bn in 1988, writes Haig Simonian in Milan.

Operating income rose by 9.2 per cent to L203.2bn in the year, while sales advanced 4.1 per cent, or 13.6 per cent on an adjusted basis, to L2,455bn.

The dividend remains unchanged at L65 for ordinary shares and L85 and L95 for convertible and non-convertible savings shares respectively.

ISE examining rules on debt instrument buy-ins

By Norma Cohen

THE International Stock Exchange is studying existing rules governing buy-ins by issuers of their own debt instruments to see whether changes are needed to its rules on the nature and timing of information which must be disclosed.

The ISE said the exchange was focusing on rules contained in its "yellow book" which do not require an issuer to announce a buy-in unless 5 per cent of the outstanding debt has been purchased.

Market practitioners have pointed out that the existence of a buy-in programme can distort the value of the stock.

The ISE is also examining rules which require companies to announce their intention to alter the capital structure immediately after board approval is obtained.

However, market practitioners have noted that buy-ins may often occur without specific board approval, thus eliminating the public disclosure requirement.

Group Delhaize to increase dividend 25%

GROUP Delhaize "Le Lion," the Belgian supermarket company which has a significant US presence, saw consolidated profits jump last year 33.8 per cent to BFr3.21bn ($91.4m) on sales 23.4 per cent higher at BFr260bn, writes Tim Dickson in Brussels. The dividend is to be raised 25 per cent.

Turnover rose by 10 per cent while sales of Food Lion in the US rose 23.6 per cent to $4.7bn. Net income for Food Lion rose 24.2 per cent to $139.8m.

Food Lion plans to open another 100 stores in 1990.

US MONEY AND CREDIT

Fed's hawks poised to gain upper hand

WHILE it is widely believed on Wall Street that the Federal Reserve's Open Market Committee left monetary policy unchanged at its meeting last week, a few voices suggested that opinion within the Fed might be edging towards tighter conditions.

Certainly the committee heard at its previous meeting in February strenuous arguments for more aggressive action to curb inflation, judging by minutes released on Friday. The hawks were Mr Robert Boykin and Mr Lee Hoskins, presidents respectively of the Federal Reserve Banks of Dallas and Cleveland.

Mr Hoskins believed "the underlying inflationary pressures were relatively strong and... the balance of risks pointed to a need for greater monetary restraint to curb such inflation," the minutes said.

The Fed was running a risk by delaying tightening "until there was full confirmation of inflationary pressures," Mr Boykin argued. However, the committee finally voted in February eight to three for an unchanged policy.

Healthy debate and dissenting votes are typical of the FOMC, but the fact that the consumer price index has risen 8.3 per cent at an annual rate in the three months ended February is adding heat to the discussion. Last week's meeting of the FOMC must have been as lively as February's.

Mr Hoskins' opinions of inflation and growth must be formed in part by what he sees on his doorstep. The mid-west's regional economy is arguably one of the most robust in the country at the moment.

Further evidence to support that came on Friday with the release of the purchasing managers' monthly survey for Chicago, including the neighbouring manufacturing heartland of Illinois and Indiana. The managers' index of business activity last month was 55.1 per cent, up from 51 per cent in February and 46 per cent in January. A number above 50 per cent indicates increasing activity.

Wall Street, nervous, about the release of the purchasing managers' national figures this morning, promptly knocked about half a point off the price of the Treasury's benchmark long bond.

While the Chicago district is renowned for turning in volatile figures which overstate the magnitude of trends, its data often indicated the general direction, according to Griggs and Santow, a firm of money market economists. Analysts' forecasts of the national figure lack unanimity but many are calling for a small increase to about 48 per cent.

Last week's strong figures for manufacturing orders and a recent rise in spot prices for many industrial commodities are further evidence of the industrial rebound.

"The bottom line is that the worst appears to be over in the manufacturing sector," said Ms Maria Ramirez, the former money market economist for Drexel Burnham Lambert. "If this is the case, it argues further for monetary policy to be biased toward higher rates down the road."

The FOMC meeting last week might well have sent a policy directive to the Fed's trading desk "skewed toward tightening in the next six weeks if the economic numbers warrant it and if conditions in foreign exchange markets stabilise," she said.

But it is a fairly big if on both counts. This week the markets get their first glimpse of the economy's progress in March, and the picture should not be too disturbing. As well as the purchasing managers' survey, the other main event is the release on Friday of employment data. The economy earlier surprised the markets by creating some 700,000 jobs in January and February combined.

The pace last month should have been less torrid at about 180,000. Even that was distorted by, for example, the hiring of some 30,000 people to help conduct the once-in-a-decade national census.

On the foreign exchange side the dollar continued to rise last week, apart from a sinking spell on Thursday. The trouble then was speculation that Japanese authorities had suggested the country's institutional investors curb their appetite for dollar-denominated securities, forbearance which would help shore up the sagging Japanese markets. The rumours were denied in Tokyo but the trepidation persisted in New York.

"Fears of Japanese selling continue to overhang the Treasury market," Salomon Brothers said on Friday. "The rash of Treasury security sales inspired by Bank of Japan efforts to stem the yen's decline may persist as long as the path of policy in Japan remains unresolved."

Currency traders will be looking apprehensively this week to the Group of Seven meeting in Paris on Saturday. "With the yen continuing to weaken against the dollar and the D-Mark, the G7's grip on currency stability is rapidly slipping," James Capel's London economists said.

"Unless the G7 meeting... can come up with a miraculous new strategy for currency stability, the next few months will herald a period of increased volatility and uncertainty in the foreign exchange markets."

Further currency turmoil and attendant fears over foreign investor participation in Treasury auctions is the last thing the markets need at the moment.

Such concern was one factor behind the tumble in long bond prices last week when the Treasury announced the sale of more 40-year bonds by the Resolution Funding Corp, the agency that raises money for the savings and loan bailout.

The Treasury's first attempt in January to sell such a lengthy bond was a disaster. Demand was meagre, prices plunged and retail investors picked up the bonds cheap in the secondary market.

Such a long bond "bids up the whole market. This extra cost should be considered when calculating the full cost of Refco to the Treasury and taxpayers," said Griggs and Santow.

Details of the Refco auction will be released on Wednesday. The volume of bonds likely will be small – probably no more than $5bn – but enough to burden the markets as they continue to slog through uncertain terrain.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.25	8.19	8.25	9.92	8.00
Three-month Treasury bills	8.05	8.12	7.92	9.11	7.20
Six-month Treasury bills	8.22	8.24	8.08	9.37	7.18
Three-month prime CDs	8.40	8.40	8.25	10.35	8.10
30-day Commercial Paper	8.35	8.30	8.20	9.95	8.05
90-day Commercial Paper	8.30	8.27	8.13	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	96½	-¾	8.68	8.57	8.55
20-year Treasury	105⅛	-1¼	8.77	8.63	8.67
30-year Treasury	98⅝	-1⅛	8.62	8.47	8.55

Source: Salomon Bros (estimates).

Money supply: In the week ended March 19 M1 was unchanged at $802.5bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 29/3/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	142.05	7.43	141.86	147.18	149.73
Government Bonds	139.86	7.26	139.58	146.86	149.93
Municipal Bonds	143.39	7.49	143.18	148.53	151.30
Govt.-guaranteed Bonds	145.66	7.55	145.71	150.14	152.42
Bank Debentures	139.50	7.64	139.22	141.46	143.57
Corporate Bonds	145.73	7.45	145.75	150.79	152.11
Yen-denom. Foreign Bonds	151.75	7.57	151.87	156.78	156.75
Government 10-year†	6.65		6.44	5.67	5.11

† Estimated par yield

Source: Nomura Research Institute

Paribas issues Ecu1bn bond

IN ITS launch of an Ecu1bn Eurobond for Italy on Friday, Paribas issued the largest Ecu bond yet into the Euromarket, writes Deborah Hargreaves.

The 10-year deal, carrying a 10¼ per cent coupon, tapped large underlying demand for Ecu in the market as it recovers its momentum.

The bond was launched as a fixed-price reoffer at 100.15.

UK GILTS

Favourable outlook for ERM entry

THERE WAS a slightly fresher mood in the markets last week. Maybe it was the lack of statistics or the bright spring sunshine, but the Budget now seems to be seen in a more favourable light and there has been less concern over the pound's prospects.

The market is, above all, looking forward to full UK entry into the European Monetary System. This has moved away from the realm of strategy. Comments from Mr John Major, the Chancellor, and Mr Robin Leigh-Pemberton, Governor of the Bank of England, fleshed out the tactics for entry, emphasising the importance of getting inflation down to the point where we are on a converging trend with Europe.

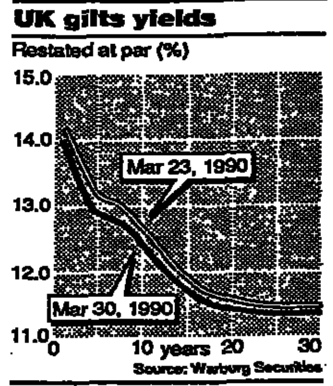
ERM has come to resemble the Holy Grail; it would give us stability of exchange rates, new investment, lower inflation, lower interest rates, and make us good Europeans.

For the gilts market, ERM entry would clearly have benefits. It would remove much of the uncertainty about sterling; it would thus, all things being equal, allow us to have lower interest rates or a stronger pound, or some mixture of the two. The market would be able to reduce both real and nominal rates and it would see inflows of capital from abroad.

The question is for how long these effects would hold good and what the other effects of ERM entry would be, particularly on the conduct of monetary policy. In view of the unwonted optimism which

UK gilts yields

Restated at par (%)



Source: Warburg Securities

seems to prevail in the Conservative Party and in the markets, several commentators have decided to do a little puncturing.

Mr John Shepperd, of Warburg Securities, said the benefits would be relatively clear in the short-term: a reduction in interest rates as the risk premium was reduced and capital flowed in, and upward pressure on the pound. Interest rates would have to be held steady to maintain pressure on inflation.

This is why we would find it hard to enter now – with lower inflation, ERM entry "would be a useful adjunct to policy; at the moment it seems to be in conflict." There is even a risk that sterling bumps its head on the ceiling of the EMS band, necessitating either a realignment or a cut in interest rates. This is behind the argument that sterling should enter at a high rate, at the bottom of a fairly wide band.

A high rate would hit Britain's international competitiveness and put pressure on the balance of payments. A low rate, leading to short-term interest rate cuts, might result in the need to tighten rates six months later to squeeze demand out of the economy and to support a slipping currency – the real test of commitment to the EMS.

Gloomier still, Mr Roger Bootle, of Greenwell Montagu, said that the inflows of capital that were expected after entry depended on a fundamental reassesment of sterling's stability, rather than just the belief that the EMS provided limits to its fluctuations. If the weaknesses of the UK's economic position were still evident, this reassesment might be lacking. On this basis, the EMS becomes a "strait-jacket" to policy – albeit a deflationary one – which may make the Conservative Party's task of winning the next election harder.

Mr David Smith, of Williams de Broë, underlined the point about the credibility of UK anti-inflationary policy. It was not just going in but staying in, he said. In the early 1970s the UK entered and left the "snake," EMS's ancestor, after only six weeks. The markets were certain to test the UK Government's sticking power, and would want to see commitment to containing inflation.

If this view prevails the window of opportunity for sterling bonds as high-yielding instruments with low currency risk disappear very quickly. All that may be left is hot money pushing down short-term rates while long-term rates rise.

Several analysts emphasise the pressure that EMS entry puts on the conventional instruments of monetary policy. Different interest rate elasticities already mean that changes in UK interest rates have a disproportionately large impact on the domestic economy compared with rate changes in other EC states. If rates are coming down in the ERM, for instance, the UK will have to adjust without using the exchange rate.

It is possible that some pressure might be eased by greater use of the gilts market to prop up long-term rates – in effect, a return to overfunding.

The answer seems to lie in two things. First, it will be necessary to find the right rate for sterling's entry by instilling confidence in sterling early, probably at a higher rate than today. Second, the Government must underline the credibility of monetary policy by keeping real interest rates high and hoping that domestic demand continues to weaken.

Thus some of the upside of full ERM entry should accrue to the market before the date of accession; but many of the benefits afterwards may be limited by the desire for stability in short-term interest rates and the necessity of keeping inflationary pressures down.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AETNA LIFE & CAS 7⅛ 16	200	95¼	0	8.20
AHFC O/S FIN 11¾ 94	100	100⅝	0	11.52
ALBERTA PROVINCE 7⅞ 93	750	97	-¼	9.33
ALBERTA PROVINCE 9¼ 95	600	99¼	-¼	9.41
ALCOA AUSTRALIA 11 92	80	100½	+⅛	10.68
AMERICAN GENERAL 9¼ 95	100	98¼	-1¼	10.17
ANHEUSER-BUSCH 9¼ 92	100	99¼	+⅛	9.50
AUSTRALIA 11 95	200	105⅛	-⅛	9.61
AUSTRALIA 11¼ 00	100	107⅞	0	10.05
[illegible]				
ITALY 8¼ 91	200	100¼	0	8.58
ITALY 9⅛ 96	150	98½	-⅛	9.46
ITALY 9⅝ 99	1.0BN	100⅞	-⅛	9.47
ITT ANTILLES 11½ 92	100	102	0	10.51
ITT CREDIT CORP 10½ 90	75	100	+⅛	10.09
JAPAN DEV BK 8 94	150	95¼	-⅛	9.39
JAPAN DEV BK 10 96	200	102½	-⅛	9.43
JAPAN HIGHWAY 9⅝ 96	180	100¼	-⅛	9.43
KANSAI ELEC PWR 10 96	350	101	-⅛	9.77
KFW INTL FINANCE 9 94	300	98¼	-⅛	9.33
LIBERTY MUTUAL 8½ 96	150	94¾	-⅛	9.64
LIBERTY MUTUAL 9¼ 93	150	98⅝	-⅛	9.56
LINCOLN NATIONAL 9¾ 95	100	99¼	-⅛	9.90
LTCB 8⅝ 93	150	97¾	-⅛	9.53
LTCB 9¼ 92	200	99½	-⅛	9.43
LTCB FIN 8 97	200	92	-⅛	9.65
MANITOBA 7½ 96	150	90¼	-⅛	9.67
MANITOBA 8⅞ 91	125	99⅛	-⅛	9.80
MARKS & SPENCER 8⅞ 96	150	94	-⅛	9.55
MARUBENI 11⅛ 91	100	102⅛	-⅛	9.92
MERCEDES CREDIT 7¼ 93	100	93¼	+⅛	9.47
MERRILL LYNCH 8 93	200	93⅛	0	10.20
METLIFE FUNDING 7¾ 96	150	90⅞	-⅛	9.69
MITSUBISHI CORP FIN 7¼ 92	150	96⅛	0	9.51
MITSUBISHI EST 10⅜ 92	50	101⅛	+⅛	9.67
MITSUBISHI FIN(HK) 7⅞ 93	100	94⅛	0	9.64
MITSUBISHI FIN(HK) 11⅛ 90	100	100⅝	-⅛	9.34
MITSUI TST FIN HK 7⅛ 94	200	93⅞	0	9.70
MOBIL CORPN 10¼ 90	200	100	0	9.82
MOTOROLA 12 94	75	106¼	0	10.10
MOUNT ISA FIN 11 95	100	101	-⅛	10.73
NAT WEST FIN 11¼ 92	150	104⅛	0	9.81
NED GASUNIE 11⅛ 90	75	100¾	0	9.60
NEW ZEALAND 7⅞ 91	250	97¼	0	9.46
NEW ZEALAND 8 93	100	95⅞	-⅛	9.72
NEW ZEALAND 10¼ 95	200	100¼	-⅛	10.03
NIPPON CRED BK 7½ 91	100	96⅞	-⅛	9.52
NIPPON CRED BK 9¼ 93	150	100⅝	-⅛	9.50
NIPPON TEL & TEL 9⅜ 95	200	100⅞	+⅛	9.14
NISSAN ACCEPT CORP 9⅛ 91	150	99⅛	0	9.68
NORWAY 7⅛ 91	500	97½	0	9.20
OCCH 8½ 93	150	97	-⅛	9.70
OLYMPIA & YORK 8¼ 96	435	89¾	-⅛	10.58
ONTARIO HYDRO 11⅝ 94	200	106½	+⅛	9.51
[illegible]				
ONTARIO HYDRO 15 92	150	110¼	+⅛	9.59
OSAKA PREFECTURE 9⅛ 93	140	100⅛	0	9.29
OSTER KONTROLLBANK 8⅛ 93	200	97	0	9.32
OSTER KONTROLLBANK 9¼ 92	200	99⅜	-⅛	9.25
PACIFIC GAS & ELEC 12 00	75	108¼	0	10.59
PEPSICO 7⅞ 93	200	93⅞	0	9.73
PEPSICO CAPITAL 8⅞ 91	100	98⅝	0	9.88
PETRO-CANADA 7⅞ 96	200	89⅞	-⅛	9.56
PHILIP MORRIS 9⅞ 98	200	98¼	0	10.10
PROCTER & GAMBLE 10 95	150	100½	-⅛	9.85
PRUDENTIAL FUNDING 7¼ 91	150	98	+⅛	9.38
PRUDENTIAL RLTY SECS 0 99	365	45⅛	-⅛	9.47
QANTAS AIRWAYS 8⅝ 96	97	95¼	-⅛	9.71
QUEBEC HYDRO 9¾ 98	150	100¼	-⅛	9.64
QUEBEC PROV 9 98	200	96⅛	0	9.62
QUEBEC PROV 13 90	150	101¼	-⅛	9.53
QUEENSLAND GOVT 10¼ 95	100	102⅛	-⅛	9.70
RALSTON PURINA 11¼ 95	150	104¾	-⅛	10.45
REYNOLDS (RJ) 10¼ 93	100	86¼	-⅛	15.39
RICHARDSON-VICKS 11½ 93	125	101¾	-⅛	10.95
ROCKWELL INT 9⅞ 90	200	100	+⅛	9.55
SAINSBURY 9¼ 96	150	97	-⅛	9.75
SARA LEE 9¼ 93	150	98¼	0	9.92
SAS 10¼ 95	150	100¾	0	9.92
SASKATCHEWAN 8½ 91	150	99½	0	9.50
SASKATCHEWAN 13 92	150	110⅝	0	9.70
[illegible]				

FLOATING RATE NOTES				
[illegible]				
ICELAND ¼ 00	125	99¾	0	8¾
INVESTORS IND ¼ 94 £	125	100	0	15¼
IRELAND 5 00	300	99½	0	8⅝
ISVEIMER ¼ 90	175	99⅞	0	8½
KB IFIMA 0.15 11	150	93¼	+⅛	8⅝
LEEDS PERMANENT ⅛ 96 £	200	100	0	15⅞
LLOYDS BANK 1/10 PERP	600	87	0	8⅞
MALAYSIA ⅛ 05	650	98⅞	+⅛	9⅛
MARINE MIDLAND ⅛ 09	150	77½	-2⅛	8⅝
MELLON BANK ⅛ 96	250	94	-⅛	8½
MIDLAND INTL FIN ¼ 92	150	99⅞	-⅛	8⅜
MILK MARKETING ⅛ 93 £	75	99⅞	0	15¼
MITSUI FIN ASIA ⅛ 96	100	99⅞	0	8⅞
MORGAN (JP) ⅛ 97	250	99⅝	0	8⅞
MORGAN STANLEY ⅛ 93	200	99	0	8⅜
NAT BK CANADA ⅛ 96	200	99⅛	0	8⅝
NAT WEST ⅛ PERP C	500	90¼	0	8½
NAT WEST FIN ⅛ 05	400	97¼	0	8⅝
NATIONWIDE 0.08 96 £	300	99¾	0	15⅛
NATL PROVINCIAL ⅛ 96 £	200	100	0	15⅞
NEW ZEALAND 93	500	99⅛	0	8¼
NEW ZEALAND ⅛ 96	250	99½	-⅛	8⅞
NHL 2ND FUNDING 0.275 14 A £	100	99⅞	-⅛	15⅝
NORTHEAST SAVINGS 1/10 96	150	98⅝	-1⅛	8⅞
NORTHERN ROCK ⅛ 95 £	100	100	0	15⅞
PNC FIN ⅛ 97	100	97½	0	8⅞
PORTUGAL 0.05 93	700	99⅞	0	8¼
PROVINSBANKEN 91	100	99⅞	0	8[illegible]
QUEBEC HYDRO 02	200	97½	0	8⅞
REGIE OLYMPIQUES 94	250	99½	+⅛	8⅝
RENFE 98	500	99¾	0	8¼
SANTA BARBARA S&L ⅛ 96	200	98⅞	-⅛	8⅞
SANWA INTL 0.10 93	100	99⅞	0	8⅝
SCOTLAND INTL FIN ⅛ 92	100	99¼	0	8[illegible]
SECURITY PACIFIC ⅛ 97	250	95⅞	-⅛	8⅞
SOCIETE GENERALE ⅛ 94	200	99⅞	0	8[illegible]
SOCIETE GENERALE 96	300	99¼	0	8⅝
STATE BK NSW ⅛ 98	250	99½	0	8⅝
TAIYO KOBE ⅛ 04	100	99⅞	-⅛	8⅝
TAKUGIN ⅛ 94	100	100	0	8[illegible]
UNITED KINGDOM -1/8 96	4.08N	99⅞	0	8¼
VEREINSWEST O/S 91	100	99⅞	0	8⅞
WARBURG (SG) ⅛ 06	200	94⅛	-⅛	8⅞
WELLS FARGO ⅛ 97	250	96⅛	0	8⅞
WELLS FARGO ⅛ 94	150	97⅞	-⅛	8½
WOODSIDE FIN (JULY) 97	300	99½	-⅛	8⅞
WOOLWICH EQUITABLE ⅛ 93 £	200	100	0	15⅞
YORKSHIRE BS 1/10 94 £	100	99⅞	0	15⅛

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
ARGYLL GROUP 4½ 02	60	94¼	0	36.35
ASDA-MFI 4⅞ 02	100	101½	+1	55.57
BURTON GROUP 4¾ 01 £	110	104	0	[illegible]
[illegible]				
[illegible]	300	94⅛	+1	21.61
ELDERS UK 5 97	75	91⅛	-1⅛	-9.83
FUJITSU 3 99	180	191	+14½	-3.67
GOODYEAR TIRE 6⅞ 03	150	78⅛	0	73.51
GRACE (WR) 6¼ 02	150	88⅞	-⅛	24.61
GRAND MET 6¼ 02	100	95⅞	+⅛	5.65
INTL PAPER 5¾ 02	200	88⅞	-⅛	18.74
KYOWA BANK 1¾ 02	100	88½	-6⅛	4.31
MCA 5⅛ 02	300	90¼	+⅛	22.99
MITSUBISHI BK 1¾ 02	300	84⅛	-2⅞	4.61
NIPPON ELECTRIC 2⅞ 00	150	256	+23	-2.63
OGDEN 6 02	85	84⅞	-⅛	27.80
PIONEER CONCRETE 9½ 98 A$	175	78⅛	0	23.46
SAITAMA BANK 1⅞ 02	100	76⅞	-5⅞	5.74
TEXAS INSTRUMENTS 2¾ 02	300	75⅞	-⅛	71.12
THORN EMI 5⅞ 04 £	103	100⅞	-1⅛	12.00

	Issued	Bid price	Chg on week	Yield
TOYO TST & BANKING 1⅛ 02	100	64⅛	-4⅛	2.06
UTD BISCUITS 5⅛ 03 PREF	110	104⅛	-1⅛	0.90
YEN STRAIGHTS				
ALLIED-SIGNAL 6⅛ 93	20.0BN	97⅛	-⅛	7.92
AUSTRIA 4⅛ 94	30.0BN	91⅞	0	7.43
AVON CAPITAL 6⅛ 97	26.0BN	95⅛	-1⅛	9.86
BARCLAYS O/S INV 6 96	40.0BN	91⅛	-⅛	7.80
BFCE 5⅛ 96	20.0BN	91⅛	-⅛	7.60
[illegible]				

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				
SEC PACIFIC AUST 8⅝ 90	100	99	+⅛	12.42
SNCF 9 99	175	91⅛	+⅛	10.52
SUMITOMO FIN ASIA 9 93	75	92	+⅛	11.77
SWEDEN 7½ 93	250	90⅛	+⅛	10.68
VICTORIAN PUB AUTH 8⅞ 90	75	97½	+⅛	12.65
WORLD BANK 7½ 94	150	88⅞	0	10.88
BELLSOUTH CAP FUND 15⅛ 98	40	100⅝	+⅛	15.55
BMW FINANCE 14½ 92	100	99⅞	+⅛	14.84
COUNCIL EUROPE 13 93	50	97¼	+½	14.19
DEUTSCHE BK FIN 12⅛ 95	185	93⅛	+⅛	14.00
EKSPORTFINANS 12⅞ 95	75	92⅞	-⅛	14.46
FORD CRED AUST 13 93	50	97	+⅛	14.30
HEINZ 12⅛ 91	100	96½	+⅛	15.90
NATWEST AUST BK 13⅛ 91	50	97⅛	0	15.25
STATE BK NSW 14⅛ 99	100	99⅛	+½	14.35
TOYOTA MOTOR CRED 13 91	75	96⅛	+⅛	15.58

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 9½ 97	50	81⅛	+⅛	13.72
BARCLAYS JERSEY 9½ 93	250	88⅛	+⅛	14.64
BNP 9⅞ 93	75	88⅞	+⅛	14.57
BRITISH OXYGEN 11⅛ 91	50	95⅛	+⅛	16.21
EEC 11⅛ 94	50	91⅞	+⅛	14.23
EIB 10 97	300	83⅞	+½	13.77
FORD CREDIT FUNDING 9⅞ 93	50	88	+⅛	14.80
HALIFAX 9⅞ 93	100	87⅛	+⅛	14.65
INTER AMER DEV 11⅛ 95	75	91⅛	+⅛	13.86
IRELAND 11⅛ 94	50	90⅞	+½	14.47
KREDIETBK INTL 10⅛ 92	50	93	+⅛	15.24
LAND SECS 9½ 07	200	72⅛	+⅛	13.82
LEEDS PERMANENT 9⅛ 93	50	86⅛	+⅛	14.76
MITSUBISHI FIN(HK) 11 90	50	98⅛	0	20.02
NORWAY 10½ 94	200	89½	+⅛	14.18
SAINSBURY 10⅞ 93	100	91⅛	+⅛	14.77
WORLD BANK 11⅛ 95	100	90⅛	+⅛	13.90

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI CHEMICAL	25/09/91	18⅛	-⅛	12.63
BRIDGESTONE CORPN	07/10/92	16	-5½	8.51
CASIO COMPUTER	16/09/92	23⅞	-1⅛	14.35
DAIWA HOUSE INDUSTRY	04/06/92	10⅞	-1⅛	68.64
FUJITSU	20/04/93	20	+2⅛	27.75
GUNZE	07/05/92	25⅛	-5	4.60
KIRIN BREWERY	23/07/92	7⅞	-⅛	65.21
MEIJI	27/12/91	20⅛	-3⅞	11.55
MITSUI REAL ESTATE DEV	20/03/92	12⅞	-3⅛	29.70
NIPPON MEAT PACKERS	17/09/92	11⅛	-1⅛	59.18
[illegible]				
TOYO SASH	27/04/93	43	-⅛	27.40
TOYOTA MOTOR	15/07/92	29⅛	+2⅛	4.04
UNY	17/06/91	40	+5	-1.00
YAMANOUCHI PHARM	30/06/92	8⅞	-⅛	59.28

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	6	0	8.68
CREDIT FONCIER 10⅛ 98	07/03/93	159	0	9.83
GMAC 8⅞ 95 B	11/02/91	5	-1	8.61
HEINZ 7⅛ 96	02/10/90	2	0	7.45
MCDONALDS B 10 93	01/01/93	18	0	9.21
SAS 9⅛ 03	03/06/91	20	-6	8.98

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MARCH 30

Time could be against Sketchley buy-in plan

By John Thornhill and Andrew Bolger

SKETCHLEY, the beleaguered industrial services and cleaning group, is continuing to talk to management teams in the hope of escaping the £94m bid from Compass, the contract cleaning and services company.

But Mr John Gillum, Sketchley chairman, conceded yesterday that it might be difficult to reach any agreement within the time scale of the Compass offer. "There is a problem of dealing with these things under the glare of the floodlights," he said.

In its defence document posted at the weekend, Sketchley rejected Compass's approach arguing that the company had recovery potential and needed a more focused management than Compass could provide.

Mr Gerry Robinson, Compass chief executive, said yesterday he was sceptical of the talk about a management buy-in and thought it was in the best interests of Sketchley's shareholders to settle the matter quickly. "It is bloody dangerous to leave a service company floating around and the longer this hangs on the more difficult the task becomes to put things right."

Compass launched its hostile all-paper bid for Sketchley last month after Godfrey Davis, the motor and laundry group, had withdrawn a £126m offer.

Compass – which Sketchley approached as a potential white knight against Godfrey Davis – has so far ruled out increasing its offer but it has been looking at ways of making its terms more attractive to shareholders.

On Friday, Compass's shares closed unchanged at 323p, giving its offer a value of about 280p per Sketchley share, compared with the market price of 271p.

Bernerd stake in Chelsfield lifted to 80%

By Nikki Tait

Mr Elliott Bernerd has increased his holding in Chelsfield International, the parent company of Chelsfield, from 50 per cent to 80 per cent, since Chelsfield launched its bid for Laing Properties with Peninsular and Oriental Steam Navigation.

Laing Properties said over the weekend that the increase was "further evidence that Mr Bernerd thinks Laing shares are cheap at 725p (the new bid price)."

Mr Bernerd, however, maintained that the higher holding had been planned for many months.

Laing is understood to have been pressing for more disclosure about Chelsfield's structure. The details have been revealed in the revised offer document from Pall Mall Properties, the vehicle for the joint bid.

Mr Bernerd's family trusts now own 80 per cent of CIL. The other two shareholders are charitable foundations, the beneficiaries of which are unnamed but unconnected to Mr Bernerd.

The document also shows that shareholders funds are £130m, and debt is below £5m. CIL has recently switched its country of incorporation from Panama to Bermuda, although this took place before the bid.

More profit warnings

By John Thornhill

SHARES in Forward Group fell heavily from 70p to 38p on Friday when the electronics company announced that it appeared certain to incur a small overall loss for the year.

Mr John Goulding, chief executive, has resigned from the company and been replaced by the chairman, Mr Ray Chamberlain.

The causes of the company's difficulties are continuing problems at two recently-acquired subsidiaries, Technographic Microcircuits and Silicon Microsystems, and reduced trading margins in the last quarter of 1989 because of the disordered state of the electronics market.

● F Copson, the building equipment and hotels group, also announced that its results for the year to April 1990 would be substantially below market expectations because of poor trading conditions. This prompted a 30p fall in the share price to 56p.

● JMD Group, the USM-quoted paper company, has announced that it will pass its dividend for 1989 after writing off costs associated with the sale of two businesses.

Interest hits Adwest profit

Having to pay interest charges has pulled down Adwest Group in the half year ended December 31 1989, and the pre-tax profit fell from £4.88m to £4.33m.

The interim dividend, however, is unchanged at 1.25p, from earnings of 4.5p (5p).

The group saw turnover rise to £58.81m (£46.34m) and trading profit to £5.21m (£4.83m).

Interest charges, of £872,000 (credit £54,000), were expected to rise as a result of acquisitions and new investment, but had been further increased by the high rates.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barry Wehmiller International, Lucas Industries, Wescot. –

Finals- Abbeycrest, Bilton (Percy), Edinburgh Fund Managers, Finlay Packaging, Gowrings, Handley-Walker, Home Counties Newspapers, Inchcape, Jerome (S), Kleinwort Benson Gilt Fund, Metsec, North British Canadian Investment, Spirax-Sarco Engineering, Sunleigh, Watts, Blake & Bearne.

FUTURE DATES

Interims-

Cosalt .... Apr. 23

Finals-

Aspen Communications .... Apr. 18
CSC Investment Trust .... Apr. 5
Chepstow Racecourse .... Apr. 12
Davis (Godfrey) .... Apr. 10
Folkes .... Apr. 27
Lamont Hldgs .... Apr. 9
Micro Focus .... Apr. 9
P & P .... May. 17
Sema .... Apr. 5

BAT rejects Hoylake's criticism of defence costs

By Nikki Tait

BAT Industries, the tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, has sent a brief reply to his complaints about the costs of its defence and the share buy-back programme.

The response, understood to run to around three or four paragraphs, was sent from BAT's solicitors, Herbert Smith, to SJ Berwin, acting for Hoylake.

According to BAT it "rejects entirely the criticisms which were made". It declined to elaborate further on the contents of the letter.

Sir James wrote to BAT on March 19, and had requested a reply by March 30. There have been suggestions that this might be a prelude to legal action against BAT directors, although such a move would be very exceptional in the UK.

The Goldsmith letter made no direct reference to this, but Hoylake is understood to have taken counsel's opinion before embarking on its written queries.

One Hoylake representative described the reply as "not helpful".

The former bidder is now understood to be reviewing the position in the light of BAT's response, although there were already some indications that the matter may not be allowed to rest here.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Abtrust New European Inv. Tst. (Section: Investment Trusts)
Do. Warrants (Investment Trusts)
GT Chile Growth Fund (Finance Land)
Do. Warrants (Finance Land)
Gartmore Emerging Pacific Inv. Tst. Warrants (Investment Trusts)
Genesis Malaysia Maju Fund (Finance Land)
Midlands Radio (Leisure)
Novalal (Chemicals)
Victoria Petroleum (Oil & Gas)

New favourite in times of high interest

Philip Coggan on the growth of convertible capital bond issues

A NEW fund-raising technique has started to dominate the British corporate finance markets. The convertible capital bond has suddenly become the UK corporate sector's favourite medium for £100m plus issues.

Recent weeks have seen a £200m (partly paid) issue from Reckitt & Colman and a £100m issue from Hepworth, both made to finance acquisitions. On Friday, CRH, the building materials group, announced a 79 per cent take-up for its I£75m convertible, which was accompanied by a $72m offer to international investors. In total, around £1bn of issues has been made over the past year.

Part of the popularity of convertible capital bonds has been achieved by default. Rights issues of ordinary shares are currently out of favour with investment institutions and companies are discouraged from making conventional bond issues by 15 per cent base rates.

The structure of convertible capital bond issues (CCBs), first used in a domestic issue by SG Warburg for a £150m J Sainsbury offer last year, exploits the potential advantages of both bond and equities. For a start, the interest on CCBs is deductible from corporation tax bills which gives the bonds an immediate advantage over convertible preference shares.

Secondly, because conversion into equity is virtually certain, the bonds can be classed as equity on the balance sheet and the effect on gearing ratio can be quite substantial. A company with £200m of debt and £400m of shareholders funds which made a £200m conventional bond issue to fund expansion would be 100 per cent geared. Using a CCB, shareholders funds are increased and the gearing ratio is only 33 per cent.

In order to persuade auditors to treat CCBs as equity, the bonds are structured so that, technically, they convert into preference shares before they convert into ordinary. Since the issuer can force conversion into the preference shares, merchant banks arranging the bonds have argued that they should be treated in the same way as convertible preference issues, ie as equity. There are also frequently fail safe provisions within the bonds which ensure that they will be converted, whether voluntarily or otherwise.

A third advantage of CCBs is that, as with other convertible issues, investors are prepared to accept a lower coupon in return for the potential "kicker" that can arise from conversion into ordinary. This presents substantial interest savings in the short term, although of course only at the expense of future equity dilution.

However, the impact of such dilution is minimised by the convertible nature of the issue. The conversion terms are normally set at a small premium to the market price; conventional rights issues, and even placings, have to be made at a discount.

One further argument in favour of CCBs is that they allow companies access to the Euromarket which can, on certain occasions, offer interest rate advantages over the domestic bond market. Although there have been some Euroconvertible preference issues, these resembled Eurobonds in paying their dividend gross; European investors tend to prefer holding bonds to UK preference shares, which are subject to ACT.

Of course, the fact that CCBs appeal to issuers does not necessarily mean they appeal to investors. Last year's £300m issue from British Airways, offered to shareholders on a four-for-nine basis, achieved only a 6 per cent take-up. That issue was sabotaged by last October's mini-crash on the world's stock markets, following the failure of a buyout for the US airline group UAL.

Ironically the issue was launched to part-finance BA's aborted participation in the buyout.

In pricing the bonds, the issuer has to take account of the relationship between the coupon on the bonds and the dividend on the ordinary shares after conversion. The ideal time to convert is when dividend growth overtakes the coupon payment – the so-called "crossover point" – since investors will then avoid income loss. According to SG Warburg, investors tend to favour a crossover point somewhere between five and seven years after issue.

But investors still face the risk of a decline in the company's share price which will make conversion unattractive. It is possible to offer protection in the form of a put option, allowing holders to sell back the bonds at certain dates. By offering a put, issuers can achieve a lower coupon on the issue but recently two developments have discouraged the granting of these.

The first is heightened awareness of the problems faced by Saatchi & Saatchi, the communications group. Its 1988 issue of euroconvertible preference shares included a put, allowing investors to redeem the shares in 1993. The £210m which Saatchi will then have to repay is more than its current market capitalisation. Saatchi's salutary example will probably discourage finance directors from offering a put, unless there is also a safety net for the issuer.

Another difficulty is the rise in interest rates over the past two years. Companies often protect themselves against the cost of granting a put by including a call option, allowing them to buy back the bonds in certain circumstances. But high interest rates increase the theoretical price of a put and, therefore, the minimum price at which companies must redeem bonds under a call. The only way of reducing the price of a put would be for companies to raise the coupon on the issue, a self-defeating measure.

Puts have not become obsolete – one was included in CRH's offer and in Boots' £155m Euroissue, launched in January. The latter also included a provision enabling Boots to sweeten the terms on the bond which might discourage investors from using their option to redeem in January 1995.

With or without puts, CCBs look likely to be popular as long as interest rates remain high. The Association of British Insurers, an influential group of investment institutions, has no objections to the concept of such issues. So far, companies have been careful to head off objections by offering to shareholders those issues which involve the potential creation of substantial amounts of equity.

NMW Computers back in black

NMW Computers, which provides computer accounting services and systems to stockbrokers, made profits of £87,000 pre-tax in 1989 and expects to return to growth in the current year.

The profit compared with the loss of £1.33m in 1988. The dividend is again 0.25p.

Mr Ewart Bibby, chairman, said the start of facilities management sales and significant operating cost reductions contributed to the achievement.

Aitch meets its targets

IN SPITE of a depressed market Aitch Holdings, the diversified fashion group, met its objectives in the year ended November 30 1989 and returned to profit with £553,000 pre-tax.

Mr Harry Rogers, the chairman, said trading conditions were still difficult but he was confident the group would continue to reap the benefits of all the changes and improvements made in the last 12 months.

The profit compared with a loss of £1.27m for the previous 14 months, and came from turnover of £37.66m (£19.69m). Earnings were 1p (loss 4.1p).

Operating profit was £1.5m (loss £821,000) and was boosted by a £442,000 exceptional gain on the sale of surplus properties (debit £506,000).

Interest charge came to £1.4m (£381,000), but should greatly reduce in the current year as a result of property sales and raising of new capital last November.

DC Gardner advances 53%

DC Gardner, the training and consultancy group, lifted pre-tax profits 53 per cent from £1.05m to £1.6m for 1989.

Turnover was £9.9m (£6.1m).

Mr Colyn Gardner, chairman, said that as part of the move to focus on core activities, offers were being sought for the trading activities of Constance Spry Cordon Bleu.

Earnings per share were 11.4p (10.7p). There is a final dividend of 3.2p for a 4.3p (3.3p) total.

FINANCIAL TIMES STOCK INDICES

	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 23	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	76.65	76.45	76.31	76.31	76.72	76.23	89.29	75.91	127.4	49.18
Fixed Interest	85.79	85.97	85.55	85.28	85.29	85.12	99.59	85.12	105.4	50.53
Ordinary	1768.7	1781.2	1793.0	1786.6	1813.5	1796.1	2008.6	1447.8	2008.6	49.4
Gold Mines	274.7	272.3	274.2	269.8	273.6	294.9	378.5	154.7	734.7	43.5
FT-Act All Share	1114.94	1120.33	1124.57	1120.85	1134.34	1129.11	1226.83	921.22	1238.57	61.92
FT-SE 100	2247.9	2263.0	2275.0	2266.2	2298.2	2283.9	2463.7	1782.6	2463.7	986.9

WORLD STOCK MARKETS

AUSTRIA

1989/90 High	Low	March 30	Price Sch
5,240	2 100	Austrian Airlines	5,240
7,300	1,982	Creditanstalt	7,000
7,930	3,000	Goesser	7,400
32,000	13 450	Interunfall	27,400
20 400	8,390	Jungbunzlauer	18,290
1,435	355	Laenderbank	1,320
14 230	4,275	OeMV	13,400
2,380	645	Perlmooser	2,200
3,400	880	Reininghaus	3,010
270	152	Semperit	188
238	76	Steyr-Daimler	236
2,520	644	Veitscher Mag	2,460
770	372	Verbund	719

BELGIUM/LUXEMBOURG

1989/90 High	Low	March 30	Price Frs.
7,000	3 850	Arbed	5,160
3 760	2,800	B.B.L	2,980
15,800	13,500	Bank Intl. a Lux	15,250
14,900	12,729	Banque Gen Du Lux	14,700
40,000	33 000	Banque Nat Belg	33,000
2,430	1,600	Barco	2,200
16,650	13,525	Bekaert B	15,750
8,490	6,200	Ciment CBR	8,040
6,670	5,000	Cobepa	5,650
6,440	4,950	Do. AFV 1	5,650
510	170	Cockerill	206
23,125	10,000	Colruyt	22,050
6 570	4,770	Delhaize	5,540
5,000	3,900	EBES	4,175
4,900	3 890	Do. AFV 1	4,110
880	320	Fabrique Nat	375

FRANCE (continued)

1989/90 High	Low	March 30
3 364	2 695	Bongrain
780	525	Bouygues
1,669	1,190	CGIP
260	163.3	CMB Packaging
3,713	2,250	Carrefour
239 8	141	Casino
860	489	Cetelem
1,456	987	Chargeurs
1,825	1 200	Ciments Fr.
788	493.1	Club Mediterranee
432	333	Cofimeg
419.5	337	Cogifi
584	368	CGE
506	302	Coparex
246	175.1	CCF
1,400	701	Cred Foncier Fr
1,417	940	Credit National
4,440	2,952	Damart
5,900	2,720	Docks de France
643	447	Dollfuss-Mieg
1,149	783	Dumez S A.
2,385	1,540	Eaux (Cie Gen)
675	420.5	Ecco
1,199	856	Electrofin're
642	383	Elf-Aquitaine
475	328	Do Certs
1,511	1,034	Epeda-Bertrand
3,875	2,427	Essilor
3,099	1,760	Eternit (Fin.)
2,875	1,549	Eurafrance
2,010	1,270	Eurocom
107	77.5	Euro Disneyland
4,920	2,340	Euromarche

GERMANY (continued) · ITALY (continued) · SWEDEN · NETHERLANDS · SWITZERLAND · NORWAY · SPAIN · SOUTH AFRICA · DENMARK · FINLAND · FRANCE · JAPAN · AUSTRALIA (continued) · HONG KONG · AUSTRALIA · MALAYSIA · SINGAPORE

CANADA

TORONTO
Closing prices March 30

MONTREAL
Closing prices March 30

Sales	Stock	High	Low	Close	Chng
1700	Celanese	$28¼	28½	28½	− ¼
9075	Can Capital	$10⅜	10	10⅜	+ ¼
48825	CenCap A	$9	8¾	8⅞	− ⅛
2100	CentFd A	$8¼	8⅛	8⅛	
3808	C Guar Trc	$9⅝	9½	9½	
200	Charan	21	21	21	
853	Chieftan	$23	23	23	
8499	CHUM B f	$20¼	20¼	20¼	− ¼
45020	Cineplex	$7	6⅞	6⅞	− ¼
40700	Co Steel f	$16¼	16¼	16¼	
33057	Comineo	$25⅛	25	25⅛	+ ⅛
134480	Inco	$30⅝	30¼	30⅝	− ⅛
4100	Innopac	$6½	6¼	5⅛	− ⅛
138302	Inter City	$23⅝	23⅛	23⅛	− ¼
1700	Interhome	$47½	47¼	47¼	
2450	Inv Grp	$21½	21¼	21¼	− ¼
2877	Ipsco	$16¼	15¾	16¼	+ ⅛
8100	Ivaco A f	$10⅜	10¼	10¼	− ⅛
13020	Jannock	$17⅜	17¼	17¼	
2205	Kerr Add	$19	19	19	− ⅛
11306	Labatt	$22	21⅝	21⅝	− ½

INDICES

NEW YORK

DOW JONES	Mar 30	Mar 29	Mar 28	Mar 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2707.21	2727.70	2743.69	2736.94	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	(u)	90.71	90.88	90.90	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1183.14	1182.25	1189.90	1192.57	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.66	214.35	214.66	215.04	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2736.71 (2753.38) Low 2692.34 (2711.49)

STANDARD AND POOR'S

	Mar 30	Mar 29	Mar 28	Mar 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.94	340.79	342.00	341.50	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	394.18	395.42	396.81	396.48	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.95	28.06	28.20	28.06	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	186.85	187.17	187.77	187.40	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.75	360.23	361.23	361.88	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	435.54	435.43	436.69	439.50	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 23	Mar 16	Mar 9	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.00	4.08	3.78

	Mar 28	Mar 21	Mar 14	year ago (approx.)
S & P Industrial div. yield	3.04	3.05	3.09	3.21
S & P Indl. P/E ratio	15.07	14.97	14.80	12.84

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amax	2,381,600	27¾	− 1⅛
Citicorp	1,653,300	23	− ⅛
Unocal Corp	1,630,900	31⅞	+ ⅝
LA Gear	1,560,900	38⅞	+ 1⅛
Bariod Corp	1,448,500	10½	+ ⅛
IBM	1,426,000	106⅛	+ ⅛
Gen Electric	1,419,200	64¼	− ¼
Am Express	1,418,400	25¾	− ⅛
Philip Morris	1,402,500	39¼	− ⅛
Manfc. Hanover	1,372,600	32⅛	− ¼

TRADING ACTIVITY

† Volume Millions	Mar 30	Mar 29	Mar 28
New York	133.484	132.190	143.244
Amex	11.546	10.431	9.927
NASDAQ	(u)	124.188	132.692
Issues Traded	1,942	1,945	1,972
Rises	722	576	700
Falls	723	858	720
Unchanged	497	511	552
New Highs	11	18	22
New Lows	42	34	47

CANADA

TORONTO	Mar 30	Mar 29	Mar 28	Mar 27	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3125.70	3176.60	3174.90	3170.70	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3639.60	3665.90	3677.40	3678.50	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1890.74	1892.51	1901.23	1898.79	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 30	Mar 29	Mar 28	Mar 27	1989/90 HIGH	1989/90 LOW
SWEDEN Affarsvarlden Gen. (1/2/37)	1142.20	1147.40	1149.20	1149.20	1372.95 (16/8/89)	1021.96 (3/1/89)
SWITZERLAND Swiss Bank Ind. (31/12/58)	(u)	747.2	739.9	737.6	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN** Weighted Price (30/6/66)	10512.39	(c)	10447.87	10406.31	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND Bangkok SET (30/4/75)	851.53	845.28	832.69	834.83	918.67 (5/1/90)	386.73 (2/1/89)
WORLD M.S. Capital Intl. (1/1/70)	(u)	489.5	489.0	493.3	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Mar. 24: Taiwan Weighted Price: 10300.79 Korea Comp Ex. 837.40
♠ Subject to official recalculation.
δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday March 30 1990

	Stocks Traded	Closing Prices	Change on day
Hitachi	25.9m	1,890	-50
NEC	16.9m	2,120	-50
Nippon Steel	16.1m	620	-32
Sato Kogyo	10.7m	2,300	-40
Kawasaki Steel	9.7m	619	-36
Canon	9.2m	1,680	-60
Toshiba	9.1m	1,060	-70
NKK	8.2m	500	-19
Mitsubishi E Co	7.6m	970	-30
Chiyoda Corp	7.1m	2,470	-10

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	51.95	52.50xd	55.86	4.91	40000
Gilts & Fixed Int	6	101.2	101.2xd	107.4	10.74	40001
High Inc Equity	6	132.3	135.6	144.3	4.40	40002
Worldwide Bond	6	195.6	195.6xd	207.2	6.29	40003
Capital Growth						
American Growth	6	189.2	191.1	203.3	1.01	40004
Asian Pacific	6	135.7	138.6	147.5	0.00	40005
Assets & Earnings	6	152.5	156.3	166.3	2.92	40006
Capital Reserve Acc	0	89.52	89.52	89.65	6.49	40007
Capital Reserve Inc	0	74.76	74.76xd	74.88	8.01	47980
Commodity & Energy	6	104.6	106.7xd	113.6	0.78	40008
Dividend & Growth	6	45.54	46.48	49.45	4.55	47871
1992 Enterprise	6	60.31	61.59	65.53	2.44	46697
Euro Capital Acc	6	102.6	103.4	110.0	0.86	40009
Euro Capital Inc	6	98.84	99.64	106.0	0.90	47981
General	6	169.3	172.7xd	183.8	2.72	40010
International	6	60.30	60.98	64.88	0.77	46852
Japan	6	93.15	93.94	99.94	0.00	40011
Mastertrust	6	88.03	89.39	95.10	1.48	40012
UK Growth Acc	6	175.2	180.1	191.7	1.49	40013
UK Growth Dist	6	114.5	119.0	126.7	2.25	40014
US Emerging Cos	6	56.29	57.76	61.45	0.00	40015
Income & Growth	6	294.3	300.8	320.1	3.20	40016
Ethical	6	47.12	48.32	51.41	1.95	40017
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5½	32.63	32.63	34.83	2.29	40019
European	5½	90.24	90.36xd	96.46	0.00	40025
European Income	5½	86.85	86.85xd	92.69	1.61	41377
Exempt	1	735.9	735.9	757.5	1.47	41379
Exempt Income	3¼	174.6	174.6	184.9	4.85	41050
Exempt American	3¼	373.0	373.0	391.1	1.67	41054
Exempt Pacific	3¼	258.9	258.9	269.7	0.00	41056

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Brown Shipley & Co Ltd—Contd.						
North American	6	63.10	63.10	67.20	0.38	40199
Orient ♦	6	115.0	115.8	124.0	0.38	40200
Recovery	6	50.98	50.98	54.29	3.88	40201
Smaller Cos Acc	6	255.7	255.7	273.6	—	40202
Smaller Cos Inc	6	157.8	157.8	168.8	1.28	40203
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382						
Income Growth	1	189.9	189.9	196.5	4.95	40204
Buckmaster Mangmt Co Ltd (1200)H						
The Stock Exchange, London EC2P 2JT 01-588 2868						
Emerging Grth	5	58.20	58.20	61.55	3.50	40205
(Accum Units)	5	60.27	60.27	63.74	3.50	46360
Fellowship Tst	5	61.51	62.09	65.88	4.11	40206
(Accum Units)	5	64.31	64.91	68.88	4.11	40207
General Inc	5	287.1	287.1	303.6	3.59	40208
(Accum Units)	5	491.9	491.9	520.2	3.59	40209
Income	5	152.4	154.7	164.1	4.87	40210
(Accum Units)	5	302.1	306.6	325.3	4.87	40211
International	5	113.3	113.3	119.8	1.00	40212
(Accum Units)	5	156.5	156.5	165.5	1.00	40213
Smaller Co's	5	99.55	99.55	105.3	2.14	40214
(Accum Units)	5	110.4	110.4	116.7	2.14	40215
Inv Portfolio	2½	53.22	54.38	56.06	3.57	46399
(Accum Units)	2½	55.79	57.01	58.77	3.57	46858
High Income Port	5	45.08	45.82	47.48	6.43	46857
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7214						
Short Dated Gilt	1¼	55.04	55.04xd	55.88	12.96	40216
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
CCF Sel High Inc Eqty	5¼	46.26	46.26	50.05	5.5	40096
CCF Sel Intl Grth	5¼	47.09	47.09	50.57	1.44	46890
CCF Sel Inv Tst	5¼	45.68	45.68	49.66	2.0	40097
CCF Sel UK Sm Co's	5¼	45.33	45.33	49.82	1.00	40098
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5¼	52.87	54.00	57.44	2.86	40217
Global Tst	5¼	45.42	45.92	48.85	0.35	40218
Recovery Tst	5¼	45.75	46.97xd	49.96	1.92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01 234 6000						
Growth Fd Acc	5	112.7	114.4	120.7	4.36	40220
CIS Unit Managers Ltd (1000)F						

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Lazard Unit Tst Mngrs Ltd (1200)F						
21 Moorfields, London EC2P 2HT 01-588 2721						
UK Capital Mar 30	0	258.4	258.4	263.6	4.81	40757
UK Inc & Grwth Mar 30	0	283.0	283.0	289.0	5.07	40758
UK Income Mar 30	0	197.6	197.6	201.9	5.59	40759
UK Sm Cos Gth Mar 30	0	153.7	153.7	162.3	3.49	40760
European Grwth Mar 30 ♦	0	81.50	81.50	82.66	1.31	40761
Nth Amer Grwth Mar 30 ♦	0	56.62	56.62	57.46	1.44	40763
Jap & Pac Gth Mar 30	0	67.98	67.98	69.27	0.00	40762

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Merlin Jupiter Unit Tst Mgrs Ltd (0905)F						
197 Knightsbridge, London SW7 1RB 01-581 3020						
American Cap	5	102.2	104.9	111.5	0.91	40702
Income	5	89.85	91.18	96.99	4.37	40703
Resources & General	5	115.6	117.0	124.4	2.59	40704
Special Sits	5	32.16	33.32	35.44	3.79	40705
International	5	56.62	56.62	60.23	2.86	40954
Ecology	5	59.90	61.25	65.15	1.85	46467

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Pearl Unit Trusts Ltd (1000)H						
PO Box 500, Thorpe Wood, Peterborough PE3 6SD						
Dealing: 0800 626577 Enquiries: 0733 67767						
Growth	5	113.6	115.9	122.0	3.26	41121
(Accum Units)	5	181.0	184.7	194.4	3.26	41122
Income	6	173.8	176.8	188.0	4.35	41123
Equity	6	173.6	176.4	187.7	3.09	41124
(Accum Units)	6	327.4	332.8	354.0	3.09	41125
Intl Equity	6	173.6	175.7	186.9	1.91	41126
(Accum Units)	6	182.5	184.7	196.5	1.91	41127
UK Income	6	47.20	47.92	50.98	4.38	47000
UK Intl 25	6	46.86	47.44	50.46	2.74	47584

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Schroder Unit Trusts Ltd—Contd.						
Far Eastern Gwth	5¼	47.52	47.73	50.77	0.00	40269
(Accum Units)	5¼	47.52	47.73	50.77	0.00	40268
Fixed Interest	5¼	42.27	42.27xd	44.53	10.82	47602
(Accum Units)	5¼	43.20	43.20	45.50	10.82	47603
Gilt Income	5¼	81.62	81.62xd	86.03	11.55	40967
(Accum Units)	5¼	92.23	92.23	97.22	11.55	46528
Income	5¼	232.0	234.1xd	249.0	5.99	41270
(Accum Units)	5¼	598.0	604.4	642.9	5.96	41271
Japan Smllr Cos ♦	5¼	345.4	346.5	368.6	0.00	47604
(Accum Units) ♦	5¼	338.8	342.1	363.9	0.00	40970
Pacific Gwth ♦	5¼	50.20	51.18xd	54.44	1.93	47605
(Accum Units) ♦	5¼	50.45	51.42	54.70	1.93	47606

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European Income	5	80.89	80.89	86.12	3.76	40928
(Accum Units)	5	92.66	92.66	98.65	3.76	40929
General	5	352.0	356.3xd	380.1	2.78	40932
(Accum Units)	5	620.9	628.6xd	670.5	2.78	40933
Gilt	5	76.54	76.54	80.67	10.59	40934
(Accum Units)	5	110.4	110.4	116.4	10.59	40935
High Income	5	47.76	48.44	51.67	5.65	40938
(Accum Units)	5	53.97	54.74	58.39	5.65	40939
High Interest	5	37.59	37.59xd	40.06	11.25	40940
(Accum Units)	5	46.48	46.48xd	49.54	11.25	40941
Income	5	109.8	110.8xd	118.2	4.79	40942
(Accum Units)	5	140.5	141.8xd	151.3	4.79	40943
International	5	295.9	295.9	314.4	0.59	40944
(Accum Units)	5	382.6	382.6	406.6	0.59	40945
Japan	5	181.7	181.7	193.2	0.00	40946
(Accum Units)	5	186.5	186.5	198.3	0.00	40947
Pacific	5	56.03	57.13	60.94	1.20	40948
(Accum Units)	5	57.22	58.35	62.24	1.20	40949
Portfolio	5	54.60	54.66xd	58.31	2.82	40936
(Accum Units)	5	57.08	57.13xd	60.94	2.82	40937
Recovery	5	242.3	246.8	263.3	1.94	40950
(Accum Units)	5	277.1	282.4	301.2	1.94	40951
UK Smaller Co's	5	44.78	46.86xd	49.99	0.66	40952
(Accum Units)	5	47.05	49.24xd	52.53	0.66	40953
Institutional Funds						
UK Equity Mar 28 F	2	346.9	354.2xd	363.3	3.75	40930
(Accum Units) F	2	587.0	599.4xd	614.8	3.75	40931
Amer Sm Cos Equity	2	52.81	53.74xd	55.12	0.00	46928
(Accum Units)	2	53.23	54.17xd	55.55	0.00	46929

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Norwich Union Tst Managers (1200)H						
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234						
Master Trust	6	93.36	93.36xd	99.31	2.37	46932
UK Equity†	6	94.19	95.71xd	101.82	4.04	41111
UK Equity Income	6	95.13	96.75	102.93	5.69	46935
UK Smaller Co's	6	85.47	89.06	94.75	2.82	46936
UK Equity Growth	6	90.21	92.15xd	98.03	3.36	46934
UK Index Tracking ♦ F	6	97.51	98.31xd	104.59	4.46	47862
International	6	159.47	161.39	171.69	0.89	41112
European	6	148.69	151.12xd	160.77	0.60	41114
Nth American	6	111.32	113.02	120.23	2.18	41115
Nth Amer Smllr Cos	6	87.72	89.31	95.01	0.03	47663
Japanese	6	75.49	76.20	81.06	0.00	47005
Pacific	6	127.16	128.54	136.75	1.79	41113
South East Asian	6	105.71	107.69xd	114.56	2.63	46933
International Bond	6	94.07	94.23	100.24	8.39	46931
Gilt & Convertible	6	87.95	88.34	93.98	11.13	46930
PK English Trust (Inv Man) Ltd (1000)F						
12 Carthusian St London EC1M 6EB 01-796 1200						
American*	4	63.72	64.17	67.07	0.0	41119
Far Eastern*	4	183.83	183.83	191.19	0.1	46478
Growth†	4	181.26	183.47	194.00	4.1	41117
Income†	4	134.10	134.10	142.76	6.1	41118
Scandinavian†	4	78.20	78.20	81.33	0.3	41120

† Dealing Day, Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours, ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq London W1M 7HF 01-493 7262
Dealing 01-493 9545

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Opps	5	51.22	52.69xd	56.19	0.20	41506
(Accum Units)	5	53.32	54.22xd	57.82	0.20	41507
European Opps	5	77.23	77.63	82.80	0.00	41503
(Accum Units)	5	77.66	79.06	83.25	0.60	46386
Far Eastern Opps	5	134.77	135.11xd	144.11	0.00	41509
(Accum Units)	5	135.63	135.96xd	145.03	0.00	41510
Golden Opps	5	40.34	40.34	43.02	0.00	41511
(Accum Units)	5	41.49	41.49	44.25	0.00	46367
Ind Hi-Yield	5	59.58	59.63	63.60	4.33	41512
(Accum Units)	5	64.95	65.01	69.33	4.33	46368
Sanyo Japan Tst	5	63.35	63.35	67.56	0.00	41513
(Accum Units)	5	63.35	63.35	67.56	0.00	41514
Kangaroo	5	29.90	30.90	32.95	1.27	41515
(Accum Units)	5	31.07	31.07	33.14	1.27	46369
Oriental Income	5	33.38	33.44xd	35.66	4.90	41516
(Accum Units)	5	37.92	38.00xd	40.52	4.90	41517
Pacific Technology	5	60.73	60.73xd	64.17	0.00	41518
(Accum Units)	5	61.23	61.23xd	64.68	0.00	41519
Tiger	5	152.43	152.43	162.58	0.68	41520
(Accum Units)	5	154.60	154.90	165.11	0.68	41521
UK Hi-Yield	5	43.06	43.06	45.92	4.98	41522
(Accum Units)	5	49.24	49.24	52.51	4.98	46302
UK Opps	5	56.18	56.61xd	60.54	0.70	41523
(Accum Units)	5	58.95	61.60xd	65.87	0.70	41524

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	92.16	93.92	99.91	4.00	47962

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Gwth	5¼	47.09	47.09xd	50.22	0	41525
TR Eur Sp Sits Acc	5¼	43.70	43.7	46.57	0	41526
TR Eur Sp Sits Inc	5¼	42.85	42.85	45.67	0	41527
TR Far East Spec Inc	5¼	23.75	23.75	25.00	–	41684
TR Far East Spec Acc	5¼	23.75	23.75	25.00	–	41685
TR General Growth	5¼	73.54	73.54	78.23	2.93	41528
TR Global Tech	5¼	75.13	75.13	80.13	0	41529
TR Income Growth	5¼	85.73	85.73	91.20	4.38	41530
TR Income Monthly	5¼	52.97	52.97	56.35	7.13	41531
TR Japan Growth	5¼	82.36	82.36	87.42	0	41532
TR Overseas Growth	5¼	66.68	66.68	71.19	0	41533
TR Smaller Cos	5¼	77.46	77.46	82.40	3.12	41534

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Intl Exempt	142.6	144.21	3.56	40172

Stewart Ivory & Co Ltd

Saints PPP Mar 14	255.5	269.01	0.00	41422

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Mar 15	101.41	107.99	3.83	46975
(Accum Units)	102.03	108.65	3.83	46976

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	991	1006	3.25	47801
TR Exempt Nth Amer	991	1006	3.25	47802
TR Exempt Pac Basin	914	927	0	47803

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

AA Friendly Sy Mar 9	–	169.5	–	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City-line
Prop Ser 1	298.6	314.4	–	41608
Equity Ser 1	129.3	136.2	–	41609
Prop Acc Ser 2	460.3	484.6	–	41610
Equity Ser 2	150.0	157.9	–	41611
Selective Acc	341.6	359.6	–	41612
Prop Ser 4	360.6	379.6	–	41613
Equity Ser 4	153.2	161.3	–	41614
Man Ser 4	437.1	460.2	–	41620
Fixed Int. Ser. 4	208.2	219.2	–	41615
Indexed Inv Ser 4	140.4	147.9	–	41616
American Ser 4	322.1	339.1	–	41617
Japan Ser 4	280.0	294.8	–	41619

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

	Bid Price	Offer Price	Yield Gross	City-line
Barclaybond	452.2	476.1	–	41773
Managed Accum	379.0	399.0	–	41774
Equity Accum	576.7	607.1	–	41775
Property Accum	332.7	350.3	–	41776
International Accum	302.7	318.7	–	41777
Gilt-edged Accum	222.2	233.9	–	41778
Money Accum	218.5	230.1	–	41779
American Accum	191.5	201.6	–	41780
Australia Accum	165.3	174.1	–	41781
Financial Accum	256.9	269.4	–	41782
"500" Accum	308.9	325.2	–	41783
European Grwth Accum	198.7	209.2	–	41784
Income Accum	351.9	370.5	–	41785

Clerical Medical Investments Group
Narrow Plain, Bristol BS2 0JH 0272-290566
Performance Pensions

	Bid Price	Offer Price	Yield Gross	City-line
With-Profits (Reg)	125.3	131.9	–	41990
With-Profits (Single)	125.3	131.9	–	41991
Mixed	153.5	161.6	–	41992
Index Linked	111.7	117.6	–	41993
Cash	123.2	129.7	–	41994
Special Situations	108.1	113.8	–	41995
International	131.0	137.9	–	41996
Gilt & Fixed Int.	95.3	100.4	–	41997
Property	132.0	139.0	–	41998
UK Equity	143.7	151.3	–	41999
European	197.4	207.8	–	42000
North American	176.1	185.4	–	42001

Equity & Law—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pens N America (z)	110.9	116.7	–	42239
Pens Far East (z)	206.6	217.4	–	42240
Pens Europe (z)	197.9	208.3	–	42241
Pens Overseas (z)	588.9	619.8	–	42242
Pens Property (z)	432.0	454.7	–	42238
Pens Fixed Int. (z)	310.3	326.6	–	42236
Pens Index-Linked Sec (z)	158.3	166.6	–	42237
Pens Cash (z)	294.8	310.3	–	42244
Pens DAF Series 2(z)	167.8	176.6	–	42245
Pens DAF Series 1(z)	326.0	343.1	–	42246

For FS Assce Ltd see Britannia Life Ltd

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	102.6	108.0	–	47150
Managed Growth	139.5	146.9	–	47151
Managed Opportunity	142.5	150.0	–	47152
NFMC Target Financial	102.5	107.9	–	47153
Pension Funds				
Managed Cautionary	107.5	113.2	–	47154
Managed Growth	143.7	151.3	–	47155
Managed Opportunity	144.6	152.3	–	47156
NFMC Target Mngd Pen	1468.0	1545.3	–	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	221.2	232.9	–	43122
Managed Prospect Fund	185.7	195.5	–	43123
Pens Managed	288.5	303.7	–	43128
Pens UK Equity	334.4	352.0	–	43129
Pens Overseas Equity	411.8	433.5	–	43130
Pens Property	156.4	164.7	–	43131
Pens Fixed Interest	168.2	177.1	–	43132
Pens Index Linked	142.5	150.0	–	43133
Pens Deposit	192.4	202.6	–	43134
Barnetts & P.R.P.				
UK Equity	146.2	153.9	–	43135
Overseas Equity	147.4	155.2	–	43136
Fixed Interest	115.0	121.1	–	43137
Property	130.2	137.1	–	43138
Index Linked	129.4	136.3	–	43139
Deposit	133.5	140.6	–	43140
Managed	145.4	153.1	–	43141
With Profits	136.5	143.7	–	43142

National Provident Institution
48 Gracechurch St, London EC3P 3HR 01-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	337.8	355.6	–	43163
UK Equity	430.5	453.2	–	43164
Overseas Eq	357.3	376.2	–	43165
American	267.0	281.1	–	43166
Far East	364.0	383.2	–	43167
Property	216.9	228.4	–	43168

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
UK Managed Initial		114.5	–	43432
Property Initial		166.2	–	43433
Money Initial		79.5	–	43434
Special Market Initial		134.7	–	43435
Japan Equity Initial		93.7	–	46762
North American Initial		85.8	–	43437
Pacific Initial		79.1	–	43438
Technology Initial		93.8	–	43439
Nat Resources Initial		57.1	–	43440
European Initial		106.5	–	43442
Residential Prop Init		103.6	–	43443
Swiss Equities Initial		56.3	–	43444
Hong Kong Initial		50.0	–	43445
UK High Inc Eq Init		68.0	–	43446
Int Fixed Interest Init		48.7	–	46408
Int Managed Init		56.7	–	46409
HIP Managed Init		112.9	–	46752
HIP Managed II Initial		98.8	–	41927
Broker Funds				
High Performance	75.4	79.5	–	43448
Towerhill Mngd Fd Acc	51.8	54.6	–	43447
YRA Executive Fd	92.1	97.1	–	43449
£ Global Growth Acc	130.5	137.6	–	47160
£ High Income Money Acc	111.4	117.7	–	47161
HM Balanced		55.5	–	47162
H F. Speculator Fd		157.8	–	43451
PEP Acorn II		124.0	–	46486
PEP Cautionary		82.7	–	47163
AAPS Int Man Fund		120.2	–	46531
Andrews-Green Inv Port		101.7	–	47914
Individual Pension Funds				
UK Equity Acc	220.7	232.9	–	43454
UK Fixed Interest Acc	172.6	182.1	–	43455
Intl Equities Acc	251.7	265.6	–	43456
UK Managed Acc	180.2	190.0	–	43457
Property Acc	208.9	220.4	–	43458
Money Acc	137.5	145.1	–	43459
Special Market Acc	270.8	285.7	–	43460
Japan Equity Acc	189.8	200.3	–	46761
North American Acc	130.8	138.0	–	43462
Pacific Acc	193.9	204.6	–	43463

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd (z)
Frobisher Hse, Nelson Gte, Southampton 0703 334411

Sun Alliance Group
Sun Alliance House, Horsham 0403 64141

UK Life Assurance Co Ltd – Contd.

Towry Law & Co – Contd.

Capital House Fund Mgrs – Contd.

Gartmore Fund Managers International Ltd
PO Box 278, 45 La Motte St., Jersey 0534 27535

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

FT UNIT TRUST INFORMATION SERVICE

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SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

DUBLIN (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Yen's decline may well be reversed

A WEAK yen will not help improve strained relations between Japan and the US, but this is more likely to be a short rather than long term problem.

Comments from Tokyo suggest that the Group of Seven should do more to support the yen. Mr Ryutaro Hashimoto, Japanese Finance Minister, will have the opportunity to develop this point of view when he meets other G7 finance ministers in Paris on April 7. If his recent meeting with Mr Nicholas Brady, US Treasury Secretary, is a guide, the response may not be all he would wish.

A weak equity market has discouraged the Japanese authorities from taking tough measures to combat rising inflation. The recent increase of 1 per cent in the Bank of Japan's discount rate was considered too little and too late. It also failed to rescue the struggling yen. Another rise is expected, but the Bank of Japan and the Ministry of Finance are known to disagree about the need for tighter monetary policy. This is likely to delay any move by the authorities and will not help restore confidence in the Japanese currency.

The yen is already at its weakest level for over three years, and a rise by the dollar to Y160 cannot be ruled out in the near future.

But the longer term view may be rather different. As the underlying strength of the Japanese economy reasserts itself, the yen is expected to improve. Nomura Research Institute forecasts that the dollar will fall to Y140 by the end of the year and Midland Montagu Research believes the dollar will decline to Y140 within 12 months.

UK clearing bank base lending rate
15 per cent
from October 5

£ IN NEW YORK

Mar.30	Close	Previous Close
£ Spot	1.6445-1.6460	1.6420-1.6430
1 month	0.87-0.85pm	0.87-0.85cpm
3 months	2.60-2.57pm	2.58-2.55pm
12 months	9.20-9.13pm	9.20-9.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.30	Previous
8.30 am	87.8	87.4
9.00 am	87.8	87.3
10.00 am	87.7	87.4
11.00 am	87.7	87.4
Noon	87.7	87.4
1.00 pm	87.7	87.3
2.00 pm	87.7	87.3
3.00 pm	87.8	87.3
4.00 pm	87.9	87.3

CURRENCY RATES

Mar.30	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.795576	0.734460
U.S Dollar	7	1.29838	1.20687
Canadian $	13.32	1.52443	1.41324

CURRENCY MOVEMENTS

Mar.30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.9	-24.0
U.S Dollar	68.6	-9.3
Canadian Dollar	104.5	+1.1
Austrian Schilling	109.9	+12.1
Belgian Franc	111.1	-2.4
Danish Krone	110.6	+4.9
Deutsche Mark	119.1	+24.9
Swiss Franc	109.6	+17.8
Guilder	114.8	+16.5
French Franc	105.0	-11.8
Lira	101.4	-18.2
Yen	118.5	+47.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Mar.29.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6475	1.6389	1.6217	1.5973	1.5560

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6262	1.6280	1.6172	1.6130
Sep	1.6014	1.6040	1.5930	1.5882

OTHER CURRENCIES

Mar.30	£	$
Argentina	7646.90-7668.85	4650.00-4660.00
Australia	2.1825-2.1845	1.3260-1.3270
Brazil	67.4245-67.4910	41.0000-42.0000

POUND SPOT- FORWARD AGAINST THE POUND

Mar.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6395-1.6500	1.6470-1.6480	0.87-0.85cpm	6.26	2.60-2.57pm	6.28
Canada	1.9180-1.9295	1.9265-1.9275	0.28-0.20cpm	1.49	0.73-0.61pm	1.39
Netherlands	3.12¼-3.14¼	3.12¼-3.13¼	1¾-1⅝cpm	6.46	5-4⅞pm	6.30
Belgium	57.45-57.85	57.75-57.85	23-21cpm	4.57	69-65pm	4.64
Denmark	10.61½-10.65¾	10.63¾-10.64¾	3-2¾orepm	3.31	9½-8⅞pm	3.43
Ireland	1.0375-1.0460	1.0415-1.0425	0.35-0.25ppm	3.45	0.80-0.70pm	2.88
W. Germany	2.77½-2.79	2.77¾-2.78¾	1⅝-1½pfpm	6.74	4⅝-4½pm	6.56
Portugal	245.15-247.15	245.50-246.50	2-19cdis	-0.51	126-151dis	-2.25
Spain	177.75-178.80	177.80-178.10	40-32cpm	2.43	62-53pm	1.29
Italy	2045¼-2055½	2047¼-2048¼	6-5lirepm	3.22	14-13pm	2.64
Norway	10.76¼-10.82¼	10.80¼-10.81¼	2¼-2orepm	2.43	7⅝-7¼pm	2.75
France	9.34½-9.39	9.34¾-9.35¾	3¾-3⅝cpm	4.81	10¾-10⅜pm	4.52
Sweden	10.04½-10.09½	10.08¾-10.09¾	½-¼orepm	0.37	1¼-¾pm	0.42
Japan	258-260½	258¾-259¾	1⅝-1½ypm	7.23	4⅝-4½pm	7.04
Austria	19.56-19.64	19.59-19.62	9⅞-9gropm	5.78	28⅞-26pm	5.60
Switzerland	2.45½-2.46¾	2.45¾-2.46¾	1¼-1⅛cpm	5.79	3⅝-3½pm	5.79
ECU	1.3615-1.3635	1.3620-1.3630	0.57-0.54cpm	4.89	1.57-1.52pm	4.54

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.05-5.00cpm 12 month 9.20-9.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6395-1.6500	1.6470-1.6480	0.87-0.85cpm	6.26	2.60-2.57pm	6.28
Ireland†	1.5735-1.5815	1.5805-1.5815	0.41-0.36cpm	2.93	1.35-1.25pm	3.30
Canada	1.1695-1.1725	1.1700-1.1710	0.45-0.48cdis	-4.77	1.43-1.48dis	-4.97
Netherlands	1.9005-1.9155	1.9005-1.9015	0.04-0.02cpm	0.19	0.02pm-0.03dis	-0.01
Belgium	34.95-35.20	35.05-35.15	2.00-8.00cdis	-1.71	9.50-19.50dis	-1.66
Denmark	6.45¾-6.48¾	6.45¾-6.46¼	1.55-1.75oredis	-3.06	4.50-4.95dis	-2.92
W. Germany	1.6870-1.7005	1.6870-1.6880	0.10-0.08pfpm	0.64	0.14-0.11pm	0.29
Portugal	149.25-149.75	149.25-149.35	80-90cdis	-6.80	305-320dis	-8.33
Spain	108.40-108.80	108.70-108.80	31-35cdis	-3.64	130-137dis	-4.91
Italy	1242¾-1251½	1242¾-1243¼	2.00-4.00liredis	-2.88	10.00-12.00dis	-3.52
Norway	6.55-6.57½	6.56-6.56½	2.00-2.25oredis	-3.89	5.90-6.30dis	-3.72
France	5.67½-5.72	5.67½-5.68	0.81-0.86cdis	-1.75	2.48-2.58dis	-1.77
Sweden	6.10½-6.13¾	6.12-6.12½	2.90-3.05oredis	-5.83	8.95-9.30dis	-5.96
Japan	157.10-158.60	157.25-157.35	0.18-0.16ypm	1.29	0.47-0.44pm	1.15
Austria	11.90¾-11.94	11.94-11.94½	0.40-0.85grodis	-0.63	1.10-2.40dis	-0.59
Switzerland	1.4935-1.5060	1.4940-1.4950	0.06-0.10cdis	-0.64	0.13-0.20dis	-0.44
ECU	1.2020-1.2075	1.2075-1.2085	0.14-0.13cpm	1.35	0.54-0.51pm	1.74

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Mar.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.648	2.780	259.3	9.353	2.463	3.133	2048	1.927	57.80
$	0.607	1	1.687	157.3	5.675	1.495	1.901	1243	1.169	35.07

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 30 1990						THURSDAY MARCH 29 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (82)	135.64	−10.4	122.06	119.67	−6.1	5.78	135.97	123.45	120.23	160.41	128.28	134.91
Austria (19)	278.78	+53.0	250.87	245.84	+53.7	1.08	276.85	251.35	244.25	285.63	92.84	111.15
Belgium (61)	147.02	−4.9	132.31	127.26	−6.3	4.40	147.46	133.88	127.64	160.02	125.58	129.45
Canada (120)	140.52	−7.7	126.46	119.10	−8.7	3.39	141.17	128.16	120.01	154.17	124.67	134.35
Denmark (36)	258.64	+6.8	232.76	227.25	+4.8	1.41	258.26	234.47	227.70	260.82	165.35	169.27
Finland (26)	139.82	+4.9	125.82	117.65	+4.0	2.55	138.54	125.78	116.66	159.16	118.63	149.70
France (125)	154.61	−0.9	139.13	137.89	−2.8	2.77	152.11	138.10	136.30	157.97	112.57	115.39
West Germany (96)	137.71	+11.3	123.92	120.81	+11.0	1.77	136.22	123.67	120.21	137.71	79.56	82.77
Hong Kong (46)	123.37	+5.3	111.02	123.88	+5.4	5.01	123.39	112.02	123.77	140.33	88.41	126.86
Ireland (17)	188.33	+3.7	169.48	167.84	+1.9	2.50	188.81	171.42	168.76	198.57	125.00	140.27
Italy (96)	97.82	−0.8	88.03	90.81	−2.6	2.55	96.43	87.55	90.04	102.11	74.97	81.40
Japan (455)	135.50	−31.4	121.93	134.73	−24.9	0.61	140.13	127.23	138.67	200.11	133.57	188.87
Malaysia (36)	227.62	−0.6	204.84	239.06	+0.4	2.27	228.61	207.56	240.10	245.32	143.35	162.50
Mexico (13)	385.33	+18.4	346.76	1189.94	+22.2	0.44	385.23	349.75	1169.45	409.41	153.32	166.05
Netherland (43)	140.49	−2.4	126.42	121.89	−2.9	4.59	139.72	126.85	121.87	145.66	110.63	116.30
New Zealand (17)	60.46	−16.1	54.41	55.42	−14.0	7.92	61.65	55.97	56.62	88.18	60.44	68.58
Norway (24)	235.63	+17.9	212.05	209.89	+17.3	1.68	237.59	215.71	211.87	245.90	139.92	175.23
Singapore (26)	193.86	+9.4	174.46	168.36	+8.5	1.74	195.09	177.12	169.51	199.38	124.57	145.59
South Africa (60)	190.46	−3.1	171.40	168.22	+10.6	3.51	196.10	178.04	169.10	251.39	115.35	139.13
Spain (43)	136.99	−16.0	123.28	112.86	−16.5	4.73	138.29	125.56	113.83	169.75	136.99	146.08
Sweden (35)	176.27	−8.2	158.62	159.76	−9.3	2.47	177.42	161.08	161.14	206.95	138.45	157.92
Switzerland (63)	91.50	−2.7	82.34	84.78	−5.8	2.31	90.79	82.43	84.54	99.12	67.81	74.08
United Kingdom (306)	150.32	−5.3	135.28	135.28	−7.3	4.86	149.75	135.96	135.96	164.31	133.28	146.14
USA (540)	137.42	−3.9	123.67	137.42	−3.9	3.49	137.77	125.08	137.77	146.29	112.13	120.06
Europe (990)	140.80	−1.1	126.70	124.88	−2.7	3.53	139.84	126.96	124.82	146.66	112.63	117.42
Nordic (121)	189.21	+1.0	170.27	162.33	−0.3	1.94	189.69	172.22	163.15	201.89	137.95	150.23
Pacific Basin (664)	135.06	−29.9	121.54	133.65	−23.6	0.95	139.36	126.53	137.32	194.72	133.28	184.07
Euro-Pacific (1654)	137.74	−20.2	123.95	130.79	−18.3	2.02	139.91	127.02	132.87	174.18	135.46	157.41
North America (660)	137.51	−4.2	123.75	136.24	−4.1	3.49	137.88	125.18	136.63	146.66	112.79	120.82
Europe Ex. UK (684)	133.26	+1.7	119.92	118.12	+0.4	2.70	132.10	119.93	117.66	135.73	96.30	99.63
Pacific Ex. Japan (209)	129.11	−4.3	116.19	117.83	−1.7	5.12	129.50	117.57	118.38	140.05	111.93	126.58
World Ex. US (1847)	138.48	−19.6	124.62	131.11	−15.7	2.08	140.63	127.68	133.13	173.77	136.48	156.43
World Ex. UK (2081)	135.74	−15.7	122.15	132.89	−12.5	2.33	137.45	124.79	134.43	162.00	134.02	141.98
World Ex. So. Af. (2327)	136.70	−14.8	123.02	132.83	−12.2	2.57	138.18	125.46	134.29	161.84	134.71	142.36
World Ex. Japan (1932)	139.20	−3.0	125.27	132.30	−3.3	3.56	139.11	126.30	132.51	145.52	114.51	120.02
The World Index (2387)	137.02	−14.8	123.31	133.08	−12.0	2.58	138.53	125.77	134.53	162.05	135.13	142.34

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: 26/3: Deletion: GPG (UK). 27/3: Name change: Hogg Robinson Gardner Mountain to Hogg Group (UK). 30/3: Insertion: BBC Brown Boveri (Reg.)(Switzerland.). Deletion: Girvan Corp. (Australia). Name changes: Kanematsu-Gosho to Kanematsu Corp. and Hasegawa Komuten to Haseko (both Japan)

Canadian and US indices based on closing prices March 30.

CROSSWORD

No.7,204 Set by FRESCA

ACROSS

1 Cuts off some electricity to gallery in the States (9)
6 Man, for example, left before yarn (5)
9 Struggle to provide me with shelter (5)
10 No beauty, she takes wrong line with Japan (5,4)
11 Complaint of bird one dreams fitfully about (10)
12 Facing time reversal on a distant star (4)
14 We fail miserably when catching Eric's first 5 (7)
15 Henry's one objection to 5 (7)
17 Exotic fruit contaminated with haematite, for example – and nitrogen (7)
19 Chekhov, disheartened, cuts a big city 5 (7)
20 Not far to go for a piece of plain cheese (4)
22 Decorative label applied to conservationists during test (10)
25, 6 Call last two characters disappearing with possibly stolen camera equipment (9,4)
26 Out and about, being extravagant (5)
27 Edwin's daughter at back entrance? (5)
28 Don't go off – stay, Cheeky! (4,5)

DOWN

1 Prepared to fight a king at sea (5)
2 Boar – paler variety – from up north? (5,4)
3 Source of ice, chip fat – and 5! (3,7)
4 Upper part of works submerged by flow (7)
5 Main angle? (3-4)
6 See 25
7 Show fear of 5 on Sunday (5)
8 Tipples ale gently and with style (9)
13 Isolated hair figures in plot – nothing very strong (7,3)
14 Troubled to arrange face-lift on first of December (9)
16 Reserve name on cover? (4-5)
18 Broad area of eastern England (7)
19 Sailor's solitary 5 (7)
21 Instrument turning up in collection (5)
23 Robert E. Church, the old physician (5)
24 Copied from newspaperman under a piano (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 14.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

AMERICANS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,279.6	ANZ SA1		244	-2.0	8.1	8.1	Feb July	1698
2,547.9	Abbey National 10p	α	194½	+0.8	3.9	12.3	Apr Oct	5411
1,448.6	Allied Irish Ord	β	262	....	3.1	27.11	Dec July	1354
1,317.0	Algemene Fl.10		£12¼	-3.8	7.0	2.5	Aug May	1567
32.7	Anglo Irish	γ	82	-3.5	5.4	27.11	Jan Aug	1365
134.4	Ansbacher (H.) 1p	β	72	-1.4	4.6	12.3	April	1624
1,059.3	Bancaire Cie Fr100		£61⅞	-4.1	2.2	9.5	May Mar	2202
4,033.2	Banco Bilbao Viz		£16⅝	-10.1	4.3	9.12	Dec June	-
2,738.3	Banco de Santander		£24¼	..	4.7	31.10	Apr Oct	-
878.3	Bank Ireland IrE1	β	263	+0.4	4.4	27.11	July Dec	1360
134.4	Bank Leumi		£19½	......	-	-	-	1740
23.6	Bank Leumi (U.K.)		345	......	5.2	26.2	Mar Sep	1740
897.4	Bank Scotland	β	119	-1.7	4.3	2.10	Nov June	1742
92.0	Do. 9¼pc Irrd Pf	γ	92	+0.5	13.4	30.10	May Nov	1462
16.6	Bank of Wales		52	..	7.2	2.10	Nov Jun	1743
6,597.9	Barclays £1	α	587	+1.9	6.2	12.3	Oct May	1754
8.58	Benchmark 20p	γ	16	-5.9	14.3	18.9	May Oct	1802
50.3	Brown Shipley £1	β	315	+0.6	4.4	27.11	Jan Aug	1983
77.6	Cater Allen £1	β	409	-0.2	7.7	27.11	Jan. July	2081
32.8	Chancery	γ	161	+3.2	6.6	27.11	Jan July	2102
502.4	Commerzbk DM10		£22¼	-3.0	3.0	27.5	May	1046
335.2	C'hgn. Hbk. Kr100		£25¼	+2.6	5.5	20.3	March	2237
25,503.7	Dai Ichi KBk Y50		910c	+2.6	0.3	4.7	June	3221
9,013.5	Deutsche Bk DM50		£296½	+0.1	1.7	11.5	May	2345
137.9	Espirito Santo		£19½	-2.5	2.3	-	June	5187
351.7	First Nat. Fin. 10p	β	223	+0.9	7.8	15.1	Mar Aug	2571
54.7	FNFC 6.3pc Cv. Pf	γ	113	....	7.4	27.12	July	2570
29,463.5	Fuji Bank Y50		£11½	-7.1	0.3	4.7	Dec June	1064
104.4	Gerrard & National	β	274	.....	9.0	30.10	June Dec.	2686
95.9	Guinness Mahon 10p	β	148	...	1.9	27.12	Jun Feb	5074

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

WATER

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES—Contd

THIRD MARKET

Stock	Price	+or–	Net	Cvr	Gr's	P/E	Dividends Paid	City Line
6.20 Sleepy Kids 5p......y	31	....	–	–			–	5068
2.85 Swanyard Studios 1p y	2	....	–	–			–	4666
6.91 Tavern Leis. 20p... y	27	–10.0	–	–			–	4867
8.51 Tomorrows Leisure 20p y	76	....	–	–			–	4248
2.02 UPL Group 10p.....y	50	....	‡	22.5			Dec. July	4362
8.28 Unit Group.........y	156	+4.0	4.3	11.12			Jan Aug	4357
12.7 Video Magic Leis. 1p y	77	....	3.5	26.1			Jan July	5071
4.32 Vista Ents 5p......y	4½	+12.5	–	–			–	3994
8.56 Vizcaya Hldgs 5p.. y	16	+6.7	–	–			–	4193
57.6 Whitegate Leisure 20p y	37	–3.9	0.9	12.2			April	1105
1.41 Do. Wrrnts.........y	21	....	–	–			–	1116
22.4 Wilton Group 1p...y	5	....	–	–			–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. £ Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xß ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+or–
Albany Inv 20p.... y	80	–1.2
Craig & Rose £1.. y	820	......
Finlay Pkg. 5p.... y	58	+1.8
Holt (Jos) 25p.....y	1343	......

IRISH

Stock	Price	+or–
Cap. 8½% Ln. 1991..	£96¼	+0.3
9pc Cap Ln. 1996..	£91¼	+0.6
Fin. 13% 97/02...	£109	–1.4
Arnotts....	457	+1.6
Carrol (P.J.)....... y	168	+1.8
Hall (R. & H.).......	180	......
Helton Hldgs...... y	87	–3.3
IRG.	215#	......
United Drug.........	168	+1.8

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	98
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	85
Ladbroke	25
Legal & Gen.	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices March 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
69	49¼	Xerox	3	5.4	8	1479	56⅞	55¼	55⅝	−⅜
41⅜	23½	XTRA	.72	3.2	28	1070	23⅜	d22¼	22¾	−1
32¼	20½	XTRA pf1.94		9.7		61	20¼	d20	20	−½
4¼	2⅛	Zapata				782	2⅝	2½	2½	−⅛
21⅛	7⅞	ZenithE				732	11⅛	10⅞	11⅛	+⅛
21½	14	ZenNt	.84	4.6	9	161	18⅜	17	18⅛	+1⅛
9⅞	5⅝	Zenix	.99	17.		144	6	5⅞	5⅞	
18½	13	Zero s	.40	3.0	13	382	13⅝	13⅛	13⅜	−⅛
44¼	27½	Zurnin	.76	1.9	19	212	41¼	40⅜	40⅞	−⅜
12⅝	10½	Zweig	1.21e	10.		257	11⅞	11⅝	11⅜	
10	8¾	ZweigTl	.95	10.		670	9½	9⅜	9⅜	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices March 30

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Ampal	.07e	26	179	2½	2½	2½	
Andal			27	4	4	4	
Astrotc			10	1⅝	1½	1⅝	
Atari		93	742	6⅝	6	6½	+⅛
AtlsCM		1	122	2	2	2	
Audvox			359	3	2½	3	+½
– B–B –							
B HO	.3e	7	14	17½	17¼	17½	+⅛
BAT In.49e			11	x1174	12 15-16	12¾	12 13-16+⅛
BSN		33	37	6⅞	6⅝	6⅞	−⅛
BaryRG		8	44	5⅛	d 5⅞	5⅞	−⅛
Baruch			24	6⅛	6⅞	6⅞	−⅛
Beard			8	6⅛	6⅛	6⅛	
BergB s	.32	13	1643	24⅜	24	24⅜	−⅜
BicCp	1.12a	16	7	30⅛	30⅛	30⅛	+⅛
BinkMf	1.20	12	x11	39⅛	39	39⅛	−⅛
BioR A		15	240	19⅛	18⅛	19⅛	+½
BlountA	.45	19	5	12⅞	12⅞	12⅞	
BlountB	.40a	19	2	12½	12⅞	12⅞	
BolrPh	.04	5	1216	8½	8	8¼	+⅛
Bowmr			1	15-16	15-16	15-16	−1-16
Bowne	.25	22	292	10⅝	10½	10⅝	
Brscn g	1.04		35	20⅛	20⅛	20⅛	
– C–C –							
			31	2⅛	2⅛	2⅛	+⅛
CMI Cp							
CalEng		36	896	14⅝	14⅛	14⅛	
CamCr	.48	15	1131	21⅞	21⅛	21⅛	−⅜
CastlA s	.68	11	376	13⅝	13⅝	13⅝	
CFCda g.01e			58	5⅛	5⅞	5⅛	
ChDvB		35	28	37⅞	37	37⅞	+⅛
ChDevA		36	288	37⅞	36⅞	37⅞	+1
ChpEn			67	2⅛	2	2	
ChfPwr	.11		160	6	5⅞	6	+⅛
ChfRv	1.20e	11	x1	22⅛	22⅛	22⅛	+⅛
Cominc	.50a	17	93	21⅞	21⅞	21⅛	+⅜
Cmptro		8	10	2⅛	2½	2½	
ConcdF		4	114	4⅛	4	4⅛	+⅛
ConcF B		4	30	4⅛	4	4⅛	+⅛
Congst			890	2⅛	2	2	−⅛
Consln			411	1⅛	1	1⅛	−⅛

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
EchoBy	.07	101	1633	16⅛	15⅞	16⅛	+⅛
EcolEn	.14	15	94	u14⅛	14⅛	14⅛	
Elsinor			16845	½	7-16	½	+1-16
ENSCO			24	4180	4½	4⅜	4½
EntAkt			60	1⅞	1⅛	1⅞	−⅛
Espey	.80	11	5	18⅛	18⅛	18⅛	
– F–F –							
Fablnd	.80	10	10	32⅜	32⅛	32⅜	−⅛
FAusPr	1.08a		830	9	8 13-16	8⅞	
FischP	.70t	20	4	12⅛	12⅛	12⅛	
Fluke	.32	8	32	22⅜	22⅛	22⅜	−⅛
ForestL		28	392	40	39⅜	40	+⅛
FdHly s	.10	15	74	13⅛	13⅛	13⅛	−⅛
FreqEl		10	2	7	7	7	
FruitL		11	4991	13⅛	12⅞	13	
FurVit			71	1⅞	1⅝	1⅝	
– G–G –							
GRI			12	4⅛	4	4⅛	
GiantFd	.60	15	407	28⅞	28⅛	28⅞	−⅛
GntYl g			27	8½	8⅞	8½	+⅛
Glatfltr	1	11	63	43	42⅛	43	+⅛
GlobNR			2119	u 8⅛	7⅞	8⅛	+⅛
GldFld			5	17	½	7-16	7-16 −1-16
Greenm			13	5	4⅞	4⅞	
Greinr s	.20	15	168	15⅛	15	15	
GCda g	.40		116	13⅛	13½	13⅛	+⅛
– H–H –							
Hampil	1.27t	9	26	8½	8½	8½	
Hasbro	.16	12	381	19⅛	19⅛	19⅛	−⅛
HlthCh		11	53	2	1⅞	1⅞	−⅛
Hlthvst		2	132	3⅞	3⅛	3⅞	+⅛
Helco	.10	17	61	10⅛	9⅞	9⅞	−⅛
HeriBEn			4	1⅛	1⅛	1⅛	
HerahO		95	61	4⅛	4⅛	4⅛	
HiShav n			1387	1⅛	1	1⅛	
HollyCp	.40a	8	49	24⅞	24⅛	24⅞	+⅛
HomeSh			1129	7⅛	7	7⅛	
HrnHar			368	5⅛	4⅞	5	−⅛
HovnEn		7	51	6⅞	6½	6⅞	
– I–I –							
ICH			8	2586	4	3⅞	3⅞

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Laser			12	3½	3⅛	3⅛	−⅛
LeePhr			17	1⅞	1⅞	1⅞	
Lionel		146	589	4⅞	4⅛	4⅞	+⅛
Lumex	.08	16	18	10⅛	10⅛	10⅛	−⅛
LynchC		17	2	22⅞	22⅞	22⅞	+⅛
– M–M –							
MSR			14	2½	2⅜	2½	
MagmC		3	1304	5⅞	5⅛	5⅞	+⅛
Marlton			6	1	1	1	
Maxam		3	72	40⅛	39⅛	40⅛	+⅛
Media	.44	37	198	29⅞	28⅞	29⅞	+1⅛
Midcore			114	2	1⅞	1⅞	
Mem	.20		5	10⅛	10⅛	10⅛	+⅛
MichStr			135	5⅛	5	5	
MissnW	.36		18	7⅞	7½	7⅞	+⅛
MichlE	.32	33	508	21⅞	21⅛	21⅞	+⅛
MoogA		8	37	7⅛	6⅞	7	
– N–N –							
NVR	.67e	4	138	4⅞	4⅛	4⅛	
Nabors		38	860	5	4⅞	5	+⅛
NtPatnt		13	332	6⅛	5⅞	5⅞	−⅛
NtRty			14	4⅛	4⅛	4⅛	−⅛
NewLine		109	4545	11	9⅞	10⅞	−⅛
NMxAr			28	9⅞	9	9⅞	+⅛
NY Tim	.52	26	1096	23⅞	23⅛	23⅞	+⅛
NCdO g	.20		93	16½	16⅛	16½	+⅛
Numac			15	7⅞	7⅛	7⅛	−⅛
– O–P–Q –							
OEA		15	35	39	38½	39	+⅛
OMI		11	447	11⅛	11⅛	11⅛	+⅛
OdetA		44	15	5⅛	5⅛	5⅛	
OdetB		58	11	7	7	7	−⅛
Olsten s	.24	13	69	15⅞	15½	15⅞	
OOkiep	1.78e	3	11	11⅛	11⅛	11⅛	
PallCp	.56	24	1122	36⅞	35⅞	36⅞	+⅛
PegGld	.10e	27	430	11⅛	11	11⅛	
PeopBc	.59	9	4	15⅛	15⅛	15⅛	
PerinIC	.80	10	8	32⅛	32	32	−⅛
PtHeat	1.70		9	13⅛	13⅛	13⅛	
PhlLD	.15e	8	168	15⅛	14⅞	14⅞	+⅛
PltDsm	.80	15	34	31	30⅝	31	+⅛

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pitwy A	.70		9	29	29	29	−⅛
[illegible]							
Salem		2	3	8⅞	8⅞	8⅞	+⅛
Scheib	.36	83	21	12⅞	12½	12⅞	+⅛
SbdCp	.50	10	1	125⅛	125⅛	125⅛	+⅛
SilvsA	.24	10	255	11⅞	11⅛	11⅞	−⅛
SoUCo n			67	18⅛	17⅞	18⅛	+⅛
SpedOP		3	20	3⅞	3⅞	3⅞	
Spelling		35	27	10	9⅞	9⅞	−⅛
SterlEl	.05e	53	6	2⅛	2⅛	2⅛	
Synaloy	.40	6	28	8⅞	8⅞	8⅞	
– T–T –							
TIE			55	⅛	11-16	⅛	+1-16
TabPrd	.20	18	36	13⅛	13⅛	13⅛	+⅛
TandyB		18	91	27⅛	26⅞	27⅛	+½
TelDta	.28		101	416	35⅞	35⅛	35⅛ −⅛
Telesph		208	1402	4⅛	4	4⅛	
TexAir			3425	7⅛	7	7⅛	−⅛
Thermd		117	167	14⅛	14	14	−⅛
Thrlos		20	109	14⅞	14⅛	14⅛	−⅛
TotlPet	.80	17	179	26⅛	26	26⅛	+⅛
TwCty		22	108	8½	8⅛	8½	+⅛
TubMex			25	5⅞	5½	5½	−⅛
– U–U –							
Unicorp			26	1⅞	1⅞	1⅞	
UnValy		36	18	2⅞	d 2⅛	2⅛	−⅛
UFoodA		8	17	2½	2½	2½	
UFoodB		8	17	2⅛	2½	2½	
US Cell			35	25⅛	25½	25⅛	−⅛
UnvPat			34	6⅛	6	6⅛	
– V–W –							
WangB			3601	5⅛	5½	5⅞	+⅛
WangC			57	8⅛	7⅞	8⅛	−½
Wthfrd			849	6⅞	6⅞	6½	−⅛
WAmBc	.44	15	13	21⅞	21	21⅛	−⅛
WDigtl		23	2331	11⅞	11⅛	11⅛	−⅛
WIRET	1.42	16	104	18⅞	18⅛	18⅞	+⅛
Worthn		12	569	12	11⅞	12	+⅛

NASDAQ NATIONAL MARKET

4pm prices March 30

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
CenxTl		31 927	22⅞	21⅞	22⅞	+½
Centcor		243 1878	31⅛	30⅞	31⅛	+⅛
CnBsh	.80	7 17	14⅛	13⅞	13⅛	−⅛
CFidBk	1.24	8 51	28½	28	28⅛	−⅛
CJerBc	.90	7 43	17	16½	16½	
CnSprn		18 251	u27⅛	26	27	+½
Cetus		1434	16⅛	15⅞	16	
Chanin s		5 752	9⅛	8⅞	9⅛	−⅛
ChrmSh	.12	13 2454	9⅛	9	9⅛	+⅛
ChkOne	.52	8 1073	14⅛	13⅞	14	−⅛
ChkPt		23 241	13⅞	13½	13⅞	
ChmDsg		15 58	12	11½	11⅞	
ChFab		22 122	20½	18⅞	20	+⅛
Chmpwr		18 17	16⅛	15⅞	16⅛	+⅛
ChipsTc		8 2391	19⅞	18⅛	19⅞	
Chiron		1804	27⅞	26⅛	26⅞	−1
ChrDwt	.28	39 827	16½	15⅞	16⅛	+⅜
CinnFn	2.44	11 217	76½	75⅛	76½	+1
Cintas	.23	25 107	44	43	43⅛	−⅛
Cipher		884	8⅛	8⅛	8⅛	
Cirrus		451	11⅞	11⅛	11⅞	+⅛
CtzBcp	1.04	77	21⅞	21⅛	21½	
CtzBkg	1.20	9 49	25	24½	24⅞	+⅛
CtzSNY	!	7 13	8½	7⅞	8⅛	−⅛
CtzUt A	!	19 133	37⅞	37⅛	37⅞	+½
CtzUt B1.54b		19 208	34⅞	34⅛	34⅞	
CtyNC s	.64	13 58	23⅛	22⅞	23⅛	+½
Clarcr s	.78	30 158	20⅞	20⅛	20⅞	+½
CleanH		17 2223	7⅞	7	7⅛	−⅛
Cloth		129 1074	4⅛	3⅞	3⅞	−⅛
CobeLb		22 876	33⅛	32½	32⅞	−⅛
CocaBtl	.88	31	23⅛	23⅛	23⅛	−⅛
CodeAl		16 232	14	13½	13⅞	−⅛
Cognex		19 31	19⅛	18	18	−½
Cohernt		16 151	12⅞	12½	12⅞	
Colagen		43 1370	17	16⅞	16⅞	−⅛
ColBcp	.20	8 21	6⅞	6⅛	6⅞	−⅛
ClnGas	1.72	10 30	21⅞	21⅛	21⅞	+⅛
ColoNt	.18e	35 97	15	14⅞	14⅞	−⅛
Colorcs		29 3240	7⅛	6⅞	7⅛	+⅛
ColFst		39 8	12⅛	12	12⅛	+⅛
Comair	.40	11 251	15⅛	14⅞	15⅛	+⅛
Comcst s	.12	1092	13½	13⅛	13⅛	+⅛
Cmc sp s	.12	1441	13⅛	12⅞	12⅞	−⅛
Comeric	2.80	10 1734	48⅛	48	48⅛	+⅛
CmBsh s	.64	8 368	24⅞	24	24⅛	+⅛
CmCir	1.40	24 53	47	46	47	+⅛
CmlTek	.60	33 80	27	26⅛	26⅛	
CNBNY s		5 133	7	6⅞	7	+⅛
Cmprsl		94 782	14⅛	13⅞	14⅛	
Crepch		14 510	8	7⅞	7⅞	−⅛
CmpPr		15 884	3⅛	2⅞	3 1-16	+1-16
Cmshr		18 411	41⅞	41	41	−⅛
CmstR s		414	5⅞	5⅛	5⅛	+⅛
Cnsptl		23 952	12⅞	12⅛	12⅛	−⅛
CodCam		6 80	1⅞	d 1½	1⅞	
CncCpt		19 260	21½	21⅛	21⅛	+⅛
ConoCm		209	1⅞	1⅛	1⅞	+⅛
ConrPr		17 3283	19	18½	18⅛	
Conslim		29 133	21½	20⅞	21½	
ConPap	1.20	11 309	41⅛	40⅞	41⅛	+½
CnstBc	1.44	4 214	15⅛	14½	15	−⅛
ConllCl s		875 111	20⅛	19⅞	20⅛	+½
CtlMed		26 219	12	12	12	−⅛
Coors B	.50	19 376	18⅛	17⅛	18⅛	
Copytle		228	12⅞	12⅛	12⅛	−⅛
Cordis		1475 123	15	14½	14⅞	−⅛
CoreSt	1.52	8 2428	38⅞	38⅛	38⅞	
CorpDt		38	3	2⅞	3	+⅛
CorpSR		19 3	12⅛	12⅛	12⅛	−⅛
CorctCp		70 154	12	11⅞	11⅞	−⅛
Costco		35 1257	38	37⅛	37⅛	
CousPr	.60a	16 64	15⅛	14⅞	15⅛	+½
CrckBrl	.07	22 467	30⅞	30⅛	30⅞	+⅛
Crestar	1.32	8 1080	27½	26⅞	26⅞	−⅛
CrstFdl	1	320	5	4⅞	4⅞	
Cronus		21 285	12⅛	12⅛	12⅛	+⅛
CrosTr		2040	6⅞	6⅞	6⅞	+⅛
CwnBk		9 3	18⅛	18⅛	18⅛	−⅛
CullnFr		30 11	9⅛	9	9⅛	
CombFd	.48	6 34	13	13	13	
Cytogn		148	6	5⅞	5⅞	
– D–D –						
D&N Fn	.60	205	11⅝	11⅛	11⅞	−⅛
DBA		86	4⅞	4⅛	4⅛	−⅛
DF Sou		5 25	12	11⅞	11⅞	−⅛
DH Tch		12 702	14⅛	14⅛	14⅛	
DS Bnc	1.60a	8 309	15½	d14⅛	14⅞	−1⅛
[illegible]						

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Vicorp		19 696	20	19⅛	19⅞	−⅛
VaBch s	.16	3 9	4⅞	4⅞	4⅞	+⅛
Vitalnk		13 1564	13⅝	13⅛	13⅛	−⅛
Vivigen		35 660	22⅛	20½	22⅛	+1½
Volvo	1.84e	6 11	59½	59	59	−½
– W–W –						
WD 40	1.72	15 137	31½	30½	31½	+1
WPP Gp	1.22e	9 3	20⅛	20⅛	20⅛	−⅛
WTD		6 2226	10⅛	9⅞	9⅞	−⅛
WashEn	1.32	13 219	19⅝	19⅛	19⅝	+⅛
WFSL s	.88	11 103	28	27⅛	28	+⅛
WshFOr	.30	13 27	10½	10	10½	+½
WMSB	.40	13 1182	16½	16	16⅛	−⅛
WMSB	pf3.75	140	41⅛	40½	40⅝	−1⅛
Watsind	.20	18 89	34⅝	34	34⅛	−⅛
WausP	.69b	17 57	36	35⅝	36	+½
Waver	.36	55 35	22⅛	22⅛	22⅛	−⅛
Weitek		26 428	21⅞	21⅛	21⅛	−⅛
Werner	.12	12 204	18⅛	18	18⅛	−⅛
WstOne	s.88	9 46	23⅞	23½	23½	−⅛
WstCap		121	6⅛	6⅛	6⅛	
WnWste		22 240	31⅛	30⅛	31⅛	+1
WstnPb		16 862	18⅛	17½	18	
Wstmrk		27 1585	49⅝	48⅛	49½	−⅛
WmorC		19 179	26	25⅛	26	+½
Weston		155	7⅞	7⅛	7⅞	
WstwOn		258	5⅛	5⅛	5½	−⅛
Wettra	.60	14 120	26⅛	26⅝	26⅝	
Whlclub		20 1872	u17⅛	16½	17⅛	+½
WilyJ A	1.10	71 86	39⅛	38½	39	−½
Willamt	1.80a	7 79	55	54⅛	54½	
WmSon s		30 16	30⅞	29⅞	30⅞	
WilmTr	1.44	12 65	39⅛	39	39⅛	+⅛
WiserO	.40	27 179	20⅝	20⅛	20⅛	−⅛
Wolohn	.28b	9 130	16⅛	15½	15½	−1⅛
WlvEx h		893	10⅛	10	10⅛	
Worthg	.56	17 294	21⅞	21½	21⅝	
Wyman	.60	84	14⅛	13⅞	13⅞	
– X–Y–Z –						
XL Dta s		5 122	9⅛	8⅞	9⅛	−⅛
YOMA		2360	18⅞	18½	18⅞	−⅛
Xicor		150 393	3⅛	3	3	
Xyvsn		110	2⅛	2 7-16	2⅛	+⅛
YanEnS	1.14e	12 73	20	19⅞	19⅞	−⅛
YelowF	.76	40 854	26	25½	25⅞	
YorkRs		21 168	12⅞	11⅞	12⅛	−⅛
ZionUt	1.44	12 1	27⅛	27⅛	27⅛	−½

The Business Column

Giving the alliance advantage to Japan

ONE AFTER another, top European and American multinationals are rushing to forge alliances of various kinds with Japanese partners. In the last month alone, the long list of those which have done deals, or are planning to, has been joined by such notable names as Daimler-Benz (with Mitsubishi), AT&T (with NEC), Texas Instruments (with Kobe Steel) and Pilkington (with Nippon Sheet Glass).

This is a very different pattern from a few years ago when the majority of western companies forging links with Japan were weaklings desperate to find products and technology with which to prop up their ailing businesses.

The West's desperate quest for Japanese products and technology remains powerful today but the motives of the Daimlers and Pilkingtons of this world tend to be more varied and somewhat more respectable.

In some cases there is a real two-way trade of technology, management knowhow, and/or market access – including to the prized Japanese market.

Technology costs

In others there is a strong motivation to share the risk of developing costly technologies and products; one of the possible Daimler-Mitsubishi deals, in aerospace, falls partly into this category. A defence against a different type of risk – that of potential takeover – may also have helped drive Pilkington into its partnership with Nippon.

Many of these deals are between competitors – with high risks to both sides. More curious, however, is that the most immediate – or obvious – beneficiaries, especially in terms of market access, often seems to be the Japanese.

To Pilkington, the immediate pay-off of its deal with Nippon is an immediate cash injection of $230m. In exchange it has given Nippon a 20 per cent stake in its main US subsidiary, which is the *largest automotive glass* maker in the US, and General Motors' biggest supplier. Market benefits for Pilkington will be longer-term: it hopes to sell more safety glass to Japanese car makers in America and also to gain more access to Asian markets, eventually perhaps including Japan.

In the Daimler-Mitsubishi case, the balance of benefits to each partner over time is impossible to read, not least because no actual joint ventures have yet been signed. But one does not have to be a soothsayer to conclude that, in the short term, Mitsubishi is likely to gain more – through access to the European single market and by its association with the famous Stuttgart "star" – than will Daimler, either in the Japanese market or in joint product development for the world market.

Early benefit

There is nothing either unusual, or peculiarly Japanese, about two partners extracting different degrees of benefit from an alliance at different times of its life. But since Japanese partners are usually better at learning from their western allies over time than vice versa, the boot really ought to be on the other foot: the western side benefiting early and the Japanese later.

As the general manager of Honeywell Europe says in a *Business International* study published today*: "the main risk of an alliance is that your partner has the skill of transferring knowhow, and you don't. In the case of Asian competitors, that skill is embedded in their culture . . . while we are resistant to change."

As yet, few western companies have developed the learning and implementation skills demonstrated by Ford in its long-standing relationships with Mazda, and those which Motorola is trying to practise in its close relationship with Toshiba. GM certainly seems to have learned less than Toyota from their NUMMI small cars joint venture.

For western companies, there are two far-from-easy answers to this conundrum. First, learn how to learn. Second, never give your partner an even break – if you do (*pace* W.C. Fields), you may prove to be a sucker.

* *Making alliances work: lessons from companies' successes and mistakes. Business International.* £295.

Christopher Lorenz

MONDAY INTERVIEW

How to be cruel to be kind

Michael Prowse talks to American social scientist Charles Murray

Charles Murray, the US writer and social scientist, believes almost all welfare benefits should be abolished.

He first advocated this extreme policy in Losing Ground, a trenchant attack on the Great Society programmes of the 1960s which some say became the bible of the Reagan administration.

Murray did not argue that welfare programmes should be slashed because the US could not afford them. Nor did he bother to make a case for lower taxes. He focused on the recipients of benefits.

His thesis was that the welfare system should be scrapped because it damages those it is intended to help: the poor and disadvantaged.

What kind of man, I wondered as I waited for Murray at Washington's elegant Willard Hotel, arrives at such a harsh conclusion? An arrogant aristocrat? A soulless scientist?

By no means. Balding and good-humoured, Murray is a homey American – the kind of neighbour you might expect in a pleasant suburb.

He was born in Newton, Iowa. His father, who started "dirt poor" and could afford only a single semester at a local community college, worked most of his life for Maytag, the washing machine maker. Murray used his brains to escape this relatively humble beginning.

A bright student, he took degrees at Harvard and MIT before joining the peace corps in Thailand.

Murray spent six years in Thailand. It was a formative experience.

As a "change agent" in the peace corps, he discovered he was unable to change anything. Effective development seemed to occur only when instigated by the villagers themselves. He also discovered he could be happy despite enduring what was by US standards an extremely low standard of living.

When Murray returned to the US, he joined a Washington thinktank and spent most of the 1970s evaluating social programmes. After voting for Lyndon Johnson in the 1960s, he found himself steadily drifting to the right. The Great Society policies he was analysing just did not seem to be working. Since nobody read his technical reports, he decided to write a book.

Murray admits that when he began Losing Ground, he had no idea he would end up urging such radical solutions as the abolition of welfare benefits, the dismantling of the public school system and the repeal of affirmative action legislation.

"I progressively wrote myself into a corner," he concedes, where these were the only intellectually-honest answers.

At its simplest, Murray's thesis is that poor people – like everybody else – respond to incentives. The problem is that the social policies invented by well-intentioned middle class professors create thoroughly perverse incentives.

Thus in 1960, a poor youth who got a girl pregnant had little option but to get married and seek employment.

After the Great Society, alleges Murray, changes in benefit rules, legal precedents and social norms had tipped the scales decisively against marriage and a low-paid job. Although these were still the right long-run strategies, they looked stupid in the short term. It seemed more rational not to marry, to let the girl pick up welfare cheques as a single parent and to resort to crime or casual work in the black economy while drawing unemployment benefit.

The exact arithmetic is unimportant. Murray's point is that by being kinder to people in trouble, welfare reformers ensured that more people would get into trouble and stay there. He says the phenomenon is not unique to the US.

On a flying visit to Britain last autumn, he diagnosed the emergence of a US-style "underclass" in UK inner cities. Some of the statistics certainly appear alarming.

Illegitimate births (in Murray's view a key predictor of social strife) have risen from around 5 per cent of all births in 1960 to 25 per cent today – and the recent rate of increase is sharper than anything seen in the US.

The property crime rate is *higher* in England than in the US. Meanwhile, inner-city youths show a disturbing tendency to withdraw from the official labour market – another alleged sign of an underclass.

Visiting Britain was like "being in a time warp," he says. Experts tried to play down the significance of the illegitimacy figures, arguing that co-habiting couples often form stable relationships.

Murray says this is a battle he no longer has to fight in the US: even the sceptics now accept illegitimacy is a problem.

Perhaps Murray has a point. But in talking with him, one cannot help noting a moralistic, almost puritanical, streak. He is libertarian enough to recognise that people may want to form gay or single person communities but argues that US policies (such as support for one parent families) are "subsidising destructive lifestyles." There is no mistaking his preference for "cornflake families:" Mom and Dad (preferably decently married in church) and a bunch of well-scrubbed kids.

If welfare benefits undermine the self-respect and productivity of the poor, I protested, why is it that the largesse parents shower on middle class kids does so little harm? Shouldn't inheritance also be abolished?

"I had many wealthy friends at college whose self-respect *was* undermined enormously," he said. "The practical effect of abolishing inheritance might not be so bad," he joked.

In Murray's view, parental income is a red herring.

He says the important thing is to be demanding as a parent – to make children earn their allowances, respect moral values and learn a sense of civic obligation. To test his commitment to the principle of "earning your way," I asked him to imagine the US after many additional decades of economic growth.

Some time in the 21st century, a social dividend or guaranteed minimum income for all might become affordable without prohibitive rates of taxation. Everybody could have a small non-wage income as of right. If monotonous full-time employment was no longer a necessity, more people would be able to develop their full potential.

Murray seemed horrified by such a vision. A social dividend would be pernicious even if it could be afforded. Why? Because work is one of the main sources of pleasure in life.

"We have to figure out something to do with our time. That will still be true in 100 years. A guaranteed income would take away one of the crucial ways by which people lead satisfying lives."

In a society rich enough to pay a social dividend, he riposted, there would be no need for a centralised welfare system. Resources would be so plentiful that the feckless and jobless would be able to rely on local and private charity. Moreover, such a society would be far happier than one which guaranteed benefits.

Returning to reality, I asked whether Reagan had made any social headway during the 1980s. He conceded there had been little, if any, progress. Unemployment among young blacks had fallen quite sharply, but that reflected the economic cycle. Education test scores had stopped deteriorating but were still awful. The crime figures had improved slightly – until the crack epidemic.

But Murray does believe attitudes have changed for the better. People are less certain that welfare is an "entitlement" and they are perhaps beginning to recognise the advantages of decentralisation in social policies.

What did he think of the Bush administration?

"It is moderate, competent and a believer in incremental solutions," he replied. "I don't expect much from it."

But he is gloomy about any government getting to grips with entrenched social problems. The members of an underclass, he points out wryly, will never press for fundamental reforms which would reduce their benefits. Nor is a majority of the electorate going to back "radical change in what looks like an uncompassionate direction."

Ironically, Murray himself seems to have been losing ground in recent years.

In Pursuit of Happiness and Good Government, his second and rather philosophical book, makes a spirited case for putting the clock back 200 years and reorganising US society along Jeffersonian lines. The refrain on almost every page is that big government is bad. Sadly for Murray it sold only about about a quarter as many copies as Losing Ground.

His third book, about the Apollo space programme, was a flop – a reminder, perhaps, of the truth of the second of five solemn social principles enunciated in Losing Ground: "effort is not *always* rewarded with success."

But Murray remains in high spirits. He is collaborating with Richard Herrnstein, the Harvard psychologist, on a fourth book. The working title is Individual Differences and Public Policy. It deals with a taboo subject in the US: the causes and consequences of differences in IQ. Friends told Murray it would be "professional suicide" to tackle this subject, which is explosive given the the US's racial mix, the low test scores of blacks and the fact that social policies (such as reverse discrimination) implicitly assume that differences in individual achievement reflect environmental factors.

Murray is undeterred. Herrnstein has already been attacked for arguing that IQ is heritable, that success is linked with IQ and that, therefore, success is heritable.

If correct the argument has ominous implications. It suggests that if progressive forces succeed in ironing out environmental differences, genetic inheritance will become a more important determinant of individual success.

Thus policies intended to widen opportunity could ironically create a more stratified society. A self-perpetuating elite would monopolise the top jobs not through nepotism but by through its monopoly of the top genes.

"We're the only two who can write this book," says Murray with a smile, "because everything that can be said about us has already been said."

'I don't expect much from the Bush administration.'

PERSONAL FILE

- **1943** Born Iowa, US; educated at Harvard and MIT
- **1965** Joins peace corps in Thailand
- **1970s** Social scientist, American Institutes for Research
- **1984** Publishes Losing Ground
- **1985** Senior Fellow Manhattan Institute
- **1988** Publishes In Pursuit of Happiness and Good Government
- **1989** Diagnoses emergence of British "underclass"

Planning laws limit court intervention

JUSTINIAN

In its judgment, a court may express great regret at its decision. The public is entitled to think either that justice has miscarried or that the law really is an ass.

Neither response, however, is applicable to the Court of Appeal's ruling last Friday, which quashed the decision of the former Secretary of State for the Environment, Mr Nicholas Ridley, to permit the demolition of eight listed buildings in the City of London's central conservation area.

It is the nature of our planning laws and the limited powers of the courts to control the government process for dealing with planning permission that explains the judicial unhappiness at the result.

The regret relates to the inevitable delay that will follow the reversal of Mr Ridley's go-ahead to a scheme for the development of a site near the Mansion House.

The development proposed *by two companies owned by* Mr Peter Palumbo, the chairman of the Arts Council, dates from 1981. Listed building consent to redevelop an angular site occupied by the Royal Silversmiths, Mappin & Webb, was refused by the Corporation of the City of London after a protracted public inquiry in the summer of 1984.

The Minister dismissed Mr Palumbo's appeal but indicated to the City that it should adjust its planning philosophy to the demands of the modern commercial world.

Encouraged by this, Mr Palumbo came forward with a plan for a five-storey building, which, while highly attractive to many contemporary architects, incurred disfavour with, among others, Prince Charles, who likened it to a "1930s' wireless."

Planning permission was once again refused by the City governors. The scheme was revised but no go-ahead was forthcoming. That led to another inquiry last spring.

The preservationists vigorously opposed but the Secretary of State's inspector boldly favoured the new design on grounds that it could well become a modern masterpiece, such as to outweigh the heritage of the listed buildings. Despite the volubility of the objectors, the Secretary of State upheld his inspector's recommendation.

However, in giving his reasons for supporting the inspector, Mr Ridley failed to evaluate the existing listed buildings on the site or to point up the special features of the development which justified departure *from conservation policies* declared in a number of departmental sectors.

At this point, the law stepped in: the objectors challenging the decision of the Minister to allow demolition of the listed buildings. The process used was the familiar judicial review. It is a fundamental characteristic of judicial review that the merits of a ministerial or administrative decision cannot be called into question.

A judicial review cannot call into question the merits of a ministerial or administrative decisions

The Court of Appeal said as much in this case. It was not concerned with the rights and wrongs of the proposals for the development of the site; that was for the planning authority operating under the ministerial umbrella. Elected representatives and politicians, not lawyers, were the arbiters. The complaint to the courts on the application for judicial review must almost invariably be that some procedural step has been omitted or was flawed by a failure to observe some rule of fairness.

Here, the inadequacy of the minister's reasoning in support of the inspector's recommendation constituted the procedural vice. The court looks to the process by which the result is reached, not at the result.

Provided that the decision lies within the spectrum of reasonableness, the courts will not interfere, nor even indicate a preference for the rival views. Ministerial decisions are not for judicial double-guessing. Objectors to the demolition of listed buildings in the City, no doubt cheered by their forensic victory and for having bloodied the Minister's nose, have won the latest battle, but not the war.

Whether the new Secretary of State decides first to appeal to the House of Lords or to accept the Court of Appeal's decision and reconsider the matter, it all takes time and involves costly delay.

It is the delay which distressed the Court of Appeal judges, where the issue is one over which they are not the final arbiters. They have played their supervisory role over the dilatory administrative process.

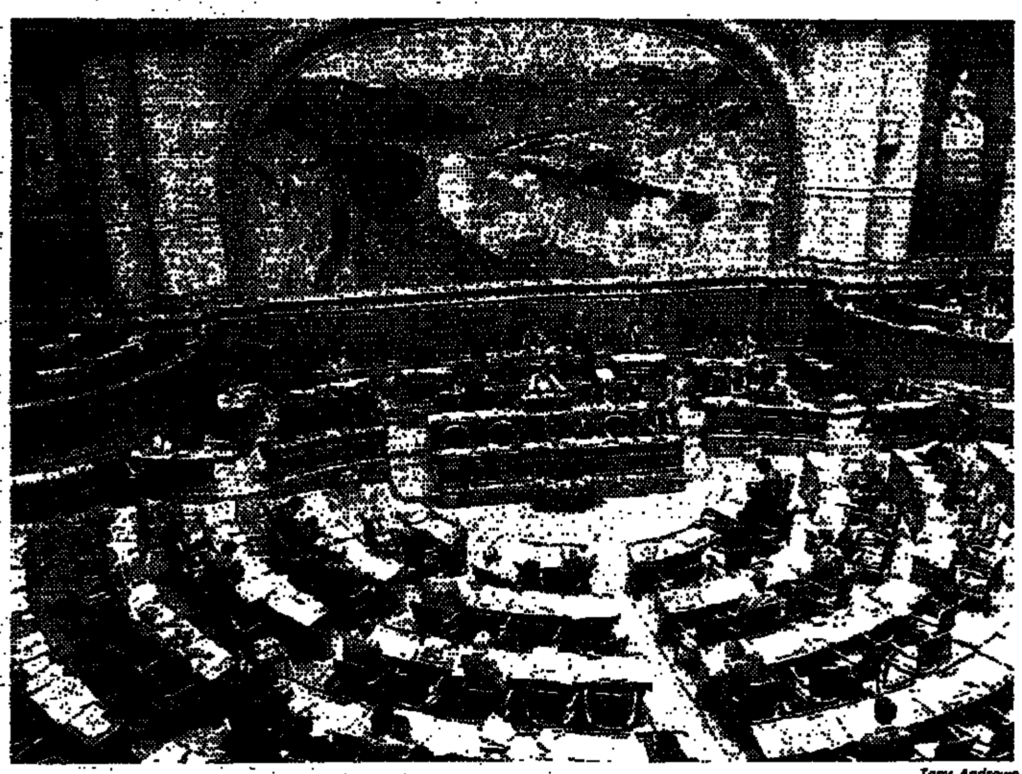
Behind the process of the proper division of functions in planning law between executive governments and judiciary there lurks a public desire for the greater even-handedness and expert evaluating of evidence relating to the substance of the dispute over planning permission that are generally associated with the judicial mind.

While it might not be wise or sensible to inject any judicial activity into the merits of a governmental decision in the area of planning law or architectural aesthetics, there may be a case for the occasional appointment of a high court judge as the inspector conducting the public inquiry.

SECTION IV

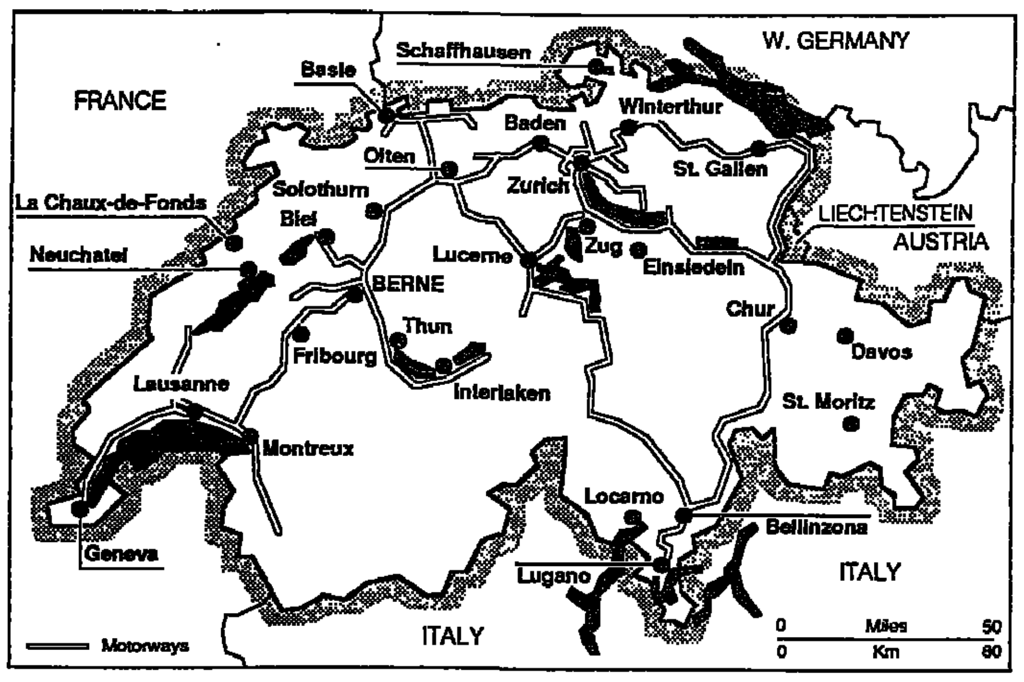
FINANCIAL TIMES SURVEY

The Swiss are under pressure to adjust the economic and political practices which made them into Europe's wealthiest people. **William Dullforce** poses the question whether the domestic structure is sufficiently flexible to respond to the calls for change



Tony Andrews

Parliament in session: a serious crisis of public confidence in the political leadership



KEY FACTS

Area	41,288 sq km
Population	6.6m
GDP* (SFrm)	286,541 *(268,800)*
Real GDP (SFrm)	254,038 *(246,400)*
Real GDP growth	3.1% *(3.0)*
Real GDP growth 1979/1989	2.2%
Current Account ($m)	+5,915 *(8,326)*
Trade Balance ($m)	−6,646 *(−4,605)*
Total reserves minus gold ($m)	25,116 *(24,203)*
Exchange rate (1989 av)	£ = SFr2.68; $ = SFr1.64

** 1989 provisional figures, 1988 figures in parenthesis*

In this survey

Editorial production: Roy Terry

Turmoil mars stable image

Switzerland

THE SWISS have experienced an extraordinary series of events in the past six months. They have seen their first woman cabinet minister brought to trial and acquitted of violating official secrecy laws by passing on information to her husband about a narcotics traffic investigation.

They have discovered that the federal security police had kept secret files on hundreds of thousands of Swiss citizens and foreigners; that their travel to eastern Europe had been recorded; and that the military security department held a register of some 5,000 citizens whose political views, it was deemed, might make them untrustworthy in times of emergency.

The Defence Minister did not know that the files existed. Mr Arnold Koller, Switzerland's President, acknowledged a serious crisis of public confidence in the confederation's political leadership.

When more than 30,000 people staged a peaceful protest against the secret files in front of the federal parliament in Berne, 100 or so hooded persons exploited the occasion to break into government offices and burn cars. Nobody has yet explained where this well-organised, seemingly disciplined group, equipped with gas to fight the police, came from.

Mr Jean Ziegler, a university professor and socialist member of parliament, published in France a book entitled *Switzerland Washes Whiter* which in polemical rather than academic style accused the Swiss banks of knowingly providing a turntable for laundering the profits of the international drugs traffic.

Inside Switzerland, Mr Ziegler is regarded as a political exhibitionist and not taken seriously but, conscious of the damage his book was doing abroad to the reputation and respectability of Swiss banking, his political colleagues have this time reacted furiously, charging him with betraying his country.

Swiss bankers, who in principle resist any political interference with their affairs, applauded happily, when the federal parliament last month amended the penal code to make money-laundering a criminal offence. The confederation is now equipped with one of the toughest laws so far passed in the fight against the abuse of capital markets by the international narcotics rings.

The list of unusually dramatic events – at least by Swiss standards – that has punctuated the past six months is not exhausted. In a national referendum last November more than one third of the electors voted to do away with the militia army that has been regarded as the bedrock for Swiss neutrality and the essential cohesive factor in a disparate, multilingual and dual-religious confederation.

The army, 625,000 citizen-soldiers that can be mobilised in 48 hours, permeates Swiss political, corporate and social life. The boardrooms and senior managements of big Swiss companies and banks are speckled with colonels, majors and captains. Officer training and promotion in the militia often opens the way to a career in business and banking.

Against this background the outcome of the referendum, launched two years earlier in a seemingly hopeless cause by a group of young socialists, was a sharp jolt to the complacency of the politicians and the senior echelons of the militia. The defence ministry is already elaborating a reform programme.

Recent disclosures have also shaken public opinion, to an extent that appears to be creating rifts in the traditionally consensual Swiss community. Views on the acquittal of Mrs Elisabeth Kopp, the Justice Minister, are sharply divided. Some regard the verdict as fully justified for a conscientious and effective minister who committed an excusable mistake in warning her husband that a company, of which he was a director, was involved in an investigation into drugs money-laundering. The company has not been charged and there has been no evidence that Mrs Kopp's action obstructed the investigation.

Other Swiss are indignant that Mrs Kopp was given the benefit of the doubt on strictly legal grounds. They see her as representative of an arrogant politico-cum-business elite that has run the confederation for decades and has come to believe that it is above normal democratic practice.

The idea that Switzerland behind its system of direct democracy is really governed by a corporatist oligarchy has long been bruited. But some at least have reacted strongly to the uncovering of the secret files and to the charges of laxity in pursuing narcotics investigations laid against the federal public prosecutor by the parliamentary commission of inquiry set up after Mrs Kopp's forced resignation.

Equally disturbing for many Swiss have been the indications in the secret files that information has been supplied by individuals in cantonal administrations, the post office, travel agencies and private companies and the realisation that a whole secret apparatus has been run by a state within a state of senior civil and military officials outside the control of the elected parliament and government.

A split within the Swiss consensus along age lines may be foreshadowed. Initial analysis of the national referendum on the army indicated that more than 70 per cent of soldiers forming the "elite" front-line brigades favoured suppression of the army. So did three out of five people between the ages of 20 and 30. The majority that voted to retain the army came from the older generations and included the bulk of house-owners, farmers and country-dwellers.

Hints of a potential political backlash to the events of the past six months came in the local election to the Zurich city council in March, in which a coalition of socialists, Greens and independents seized control of Switzerland's banking and business capital.

In large part this domestic turmoil within a traditionally stable and conservative community of 6.6m people is being created primarily by powerful external pressures. These are being exerted by the European Community's plans for economic unification, by remorselessly strengthening competition from newly liberalised financial centres and by the stepping up of international co-operation, largely at US initiative, in the war against the drugs traffickers.

The Swiss are now under real pressure to adjust the economic and political practices which over the past half century made them into Europe's wealthiest people. These include their banking secrecy, their corporate regulations which protect their businesses against foreign takeover, their federalism and their system of direct democracy.

Switzerland's difficulties in determining its future relationship with the EC were highlighted in the last session of the federal parliament. The government has had to abandon its strategy of working out separate agreements for the confederation. In response to Brussels' injunction it has joined with the Nordic countries and Austria, the five other members of the European Free Trade Association, to negotiate en bloc with the EC on the rules for a European Economic Space (EES) covering the 18 nations.

Parliamentarians were extremely critical of the government's approach, in particular of its failure to inform. Domestically, political battle positions over the EES are already being taken. Eleven MPs announced they will fight for full membership of the EC; another group, headed by the team which agitated successfully against membership of the United Nations in 1986, refuses even to countenance the EES, which it claims would mean abandoning Swiss independence and institutions.

Mr René Felber, the Foreign Minister, has said that Switzerland's neutrality, federalism and direct democracy are not up for negotiation but it is difficult to envisage a situation in which an EC-Efta understanding on common regulations would be made conditional on approval by a majority of the cantons in a Swiss national referendum.

Of late, the Swiss have started to worry about their image abroad, particularly in connection with the secret police files, the "Kopp Affair" and the drug money scandal which indirectly caused it. In part at least their image of themselves as a *Sonderfall*, an exceptional case, and their consciousness of the superiority of their political and economic institutions have been tarnished.

However, a rugged counter-reaction to this narcissistic tendency has already set in. Leaders of the three right-wing and centre parties which have governed the country in coalition with the socialists for the past 30 years are downplaying the discovery of the secret files, arguing that they date back to a cold war era and that lack of governmental and parliamentary control over the security services is a regrettable error which can be corrected by administrative changes.

Two intriguing questions for the 1990s are how flexible Switzerland's domestic political structures will prove to be in absorbing the external pressures for change. And to what extend the politico-business establishment can retain the allegiance of a majority of voters.

In the light of the domestic political convulsions of the last six months it is worth recalling a remark by Mr Peter Bichsel, a knowledgeable Swiss author: "I don't believe that the average Swiss cares about democracy, he's interested in prosperity." Indeed, having completed its seventh consecutive year of growth, the economy is still bowling along.

The economy appears to be in robust condition, says **William Dullforce**

Set for another year of growth

THE INFLATION rate is the principal preoccupation of Swiss economists, bankers, house-owners, rent-payers and wage-earners alike and will probably remain so for most of the year.

Apart from that concern and leaving aside its vulnerability to a sudden international downturn, the economy appears to be in robust condition, set for an eighth consecutive year of growth even if at a slower pace than in the two preceding years.

In its latest survey the Federal Office for Economic Affairs foresees a 2.2 per cent increase in gross domestic product this year following the unexpectedly strong 3 per cent provisionally estimated for 1989, which was a repeat of the 1988 performance.

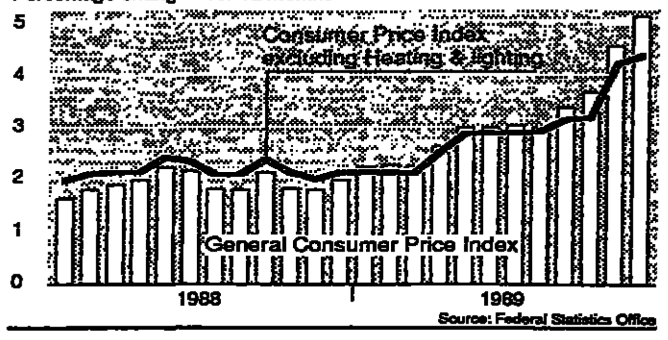
Capital investments and exports have been the principal engines of recent growth. Swiss industry, having spent heavily on modernising its production apparatus, was in a good position to exploit the relative weakness of the franc last year and the exporting opportunities offered by continuing expansion in the world economy. And, apart from a slight weakening in the construction sector, almost all branches continue to report expanding order books. At the end of the year many industrialists, when questioned, said they planned to boost output.

However, production has been running at close to 90 per cent of capacity, the unemployment rate averaged 0.6 per cent last year and one industrial association after another has been complaining about shortages of skilled workers and the limits imposed on the import of labour by federal and cantonal authorities.

Such persistent indications of overheating underline the concern with inflation which has attained a level not seen since 1982. Even more importantly, prices have been rising faster than in the other countries, such as West Germany, usually classified with Switzerland as operating low-inflation economies.

Consumer prices

Percentage change over 12 months



Source: Federal Statistics Office

In January the consumer price index reached 5.1 per cent on a 12-month basis. In spite of a slight fall in February expectations are that it will rise again to around 5.5 per cent in May, when the next increase in house rents, triggered by higher mortgage rates, is due.

Most forecasters expect a slackening in consumer price increases in the second half of the year but not enough to push average growth in 1990 much below 4.5 per cent. An encouraging trend has been the decline in the annual rate of increase of the wholesale price index. It has come down from a peak of 4.7 per cent last year, the highest rate for eight years, to 2.3 per cent in February, indicating that one of the main sources of inflation – the rise in the cost of fuel imports aggravated by the weakness of the franc – is losing momentum.

Nevertheless, some economists fear that a resurgence of inflation in West Germany as a result of a monetary union with East Germany and heavy spending on reconstructing the East German economy could have a knock-on effect in Switzerland. Inevitably under these circumstances the spotlight has been on the Swiss National Bank (SNB) and monetary policy. The SNB has not been free of criticism, particularly from bankers who have seen short-term interest rates rise to an unwonted 9 per cent, as the Bank has made money tighter.

Some economists fear that a resurgence of inflation in West Germany as a result of a monetary union with East Germany could have a knock-on effect in Switzerland

Criticism has focused not on the restrictive monetary policy, which has generally been accepted as necessary to tamp down inflation, but on the ambiguity between some SNB decisions and statements. In recent years the SNB has insisted that its instrument in promoting the objective of price stability is control of the monetary base – banknotes in circulation plus giro deposits with the Bank – and that it does not pursue an exchange rate policy.

Last year when the weakening of the franc against the D-Mark was clearly an inflation-promoting factor through the effect on import prices, some SNB moves created confusion. In October it followed the Bundesbank in raising the discount rate but announced that its action did not constitute a further tightening of monetary policy.

In December the SNB widened the gap between the Lombard rate and overnight money rates but, following market reaction, it said that it was not drawing further liquidity out of the market.

Later that month, speaking with greater clarity, it announced that it would "not tolerate extreme exchange rate fluctuations" and early in the new year Mr Markus Lusser, the SNB president, stated unequivocally that, the Swiss franc having fallen to a critical level against the D-Mark, Swiss interest rates would be pitched higher than German rates for a while. The franc promptly started to recover against the D-Mark.

After the stock market crash of October 1987 the SNB, like many other central banks, supplied more liquidity to the market, to forestall a possible recession, and later discovered that it had exaggerated. In Switzerland the situation was aggravated by changes to rules for the banks' reserve requirements and the introduction of a new inter-banking clearing system in 1988 which, in the event, produced a quicker decline than expected in the banks' demand for liquidity from the Bank.

From the autumn of 1988 the SNB tried to tighten the screws, setting a 2 per cent target for annual growth in the monetary base, but the perceived ambiguity in its acts and declarations last year left some doubt about its signals and its efforts to clamp down appeared to be largely ineffectual. Now, however, the markets' confidence in the SNB's resolve has been restored and there is a general presumption that, barring international accidents, the Swiss inflation rate will be under control again by the end of the year.

A development which has drawn comment is the 31 per cent increase in the trade deficit last year, which was translated into a provisionally estimated decline of SFr2.6bn ($1.7bn) in the surplus on the current account in 1989. This still left Switzerland with a healthy current account surplus of around SFr9.7bn.

The trade deficit is attributable principally to the deterioration in the terms of trade as a result of the weakening of the franc last year and to the strength of imports. Import prices rose by 8.5 per cent, while export prices went up by only 6.1 per cent, according to the index of average values.

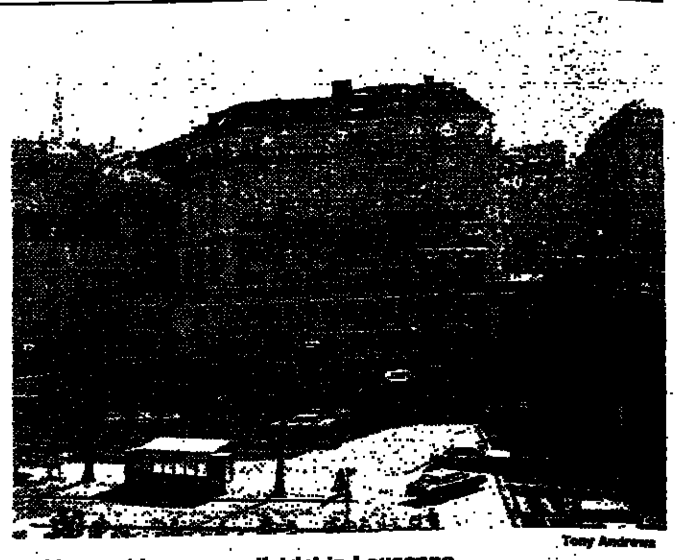
So far in 1990 with a firmer franc prospects are better for the terms of trade. Import growth had already started to taper off during the second half of 1989, to an estimated 3.1 per cent in volume; export growth, too, declined but at 3.7 per cent the rate was higher than for imports.

Unless the reconstruction of eastern Europe results in a speedier than expected increase in external demand, Swiss exports, domestic demand and capital investment are all expected to expand at a measured pace in 1990.

There is a general presumption that inflation will be under control by 1991

There is some uncertainty about how private consumption, the largest single aggregate in the economy, will perform. Consumption grew moderately in 1989, at around 2.5 per cent in real terms, but at a slightly faster rate than in the previous year.

On the back of full employment, incomes are estimated to have augmented by around 1 per cent in real terms but, judging by a survey conducted in January, consumers are holding off major purchases – apart from cars – because of concern about inflation and uncertainty about how the economy will develop. The tight monetary policy and high interest rates are starting to bite.



Banking and insurance district in Lausanne

Tony Andrews

FINANCE

Banking haven under review

SWITZERLAND is having to review its position as a haven and turntable for international funds. For many years, the country benefited from a unique combination of uncontrolled capital and currency movements with neutrality, stability and a rock-hard Swiss franc – not forgetting the attractions of banking secrecy. Today, as Swiss Bank Corporation's chief executive, Mr. Walter G. Frehner said, it is "just one financial centre among others".

This does not mean anything approaching a decline in business. The assets of 355 reporting banks grew by 6.5 per cent last year and are running at almost SFr1,000bn, with fiduciary business up by no less than 28.5 per cent, giving an additional sum of nearly SFr350bn.

Hundreds of billions are in portfolios managed by the banking system, whose activities in financial services off the balance sheet made a significant contribution to raising 1989 profits to an unprecedented high. In the markets, the turnover of the Zurich stock exchange bounced back to SFr639.9bn, or just more than the 1987 record.

On the public capital market, net issues worth a nominal SFr37bn were second only to those of 1986. And although foreign borrowings may have fallen off over the year, they still amounted to the respectable total of SFr42.2bn.

The fact is, however, that other locations have been growing faster and competing more successfully at a time of an increasing "globalisation" of financial markets. Most European countries have carried out comprehensive deregulation programmes, while political developments have made the safe-haven status of Switzerland less relevant.

At the same time, the Swiss market is at something of a fiscal disadvantage – particularly in the form of the stamp duty on financial-market transactions.

The need to take corresponding action is recognised by the political establishment. A committee formed by members of parliament from the four coalition parties, recently completed a report with a series of proposals on improving Switzerland's competitiveness as a financial centre.

Included, were proposals on the long-awaited move to scrap stamp duty on trading positions, Euromarket issues, money-market paper and transactions between foreign principals, as well as a reduction of the levy on domestic bond issues and in the double taxation of companies and shareholders.

These recommendations take the edge off remarks by Social Democratic Finance Minister Dr Otto Stich that the Swiss financial market had reached "critical mass", though there is still no general agreement on how to compensate for the loss of fiscal income.

Furthermore, the working party's suggestions foresee a number of adjustments which need to be made by the banks in the operation of investment funds, the approximation of reporting and other practices of international standards and "comprehensive" measures to combat money-laundering.

In fact, the past few years have seen a great deal of activity by the banks themselves to improve efficiency and integration in international markets. As the country's stockbrokers, they have been instrumental in modernising and harmonising the work of the various bourses, notably through the creation of the Swiss Options and Financial Futures Exchange (Soffex) and the agreement to set up the Swiss Electronic Exchange (EBS) for computer trading in straight bonds by the end of this year.

The range of banking and financial services has also been expanded at home and abroad – albeit with necessary retrenchments after individual losses in such foreign centres as London and New York. Further steps are being taken towards the consolidation of published accounts to keep up with international practice, both SBC and Union Bank of Switzerland having just presented their first consolidated assets.

These measures have gone hand in hand with a series of moves to counter abuses of banking secrecy – and simultaneously improve the not always positive image of Swiss banking. In 1987, the country's Bankers' Association welcomed new legislation making insider deals punishable offences, as well as tightening up its own good-conduct code.

Last year, the Association of Swiss Stock Exchanges introduced a self-regulatory takeover code. At present, the banks are supporting a government move to make money-laundering illegal. For years, banks have been increasingly ready to freeze disputed accounts and support international legal efforts.

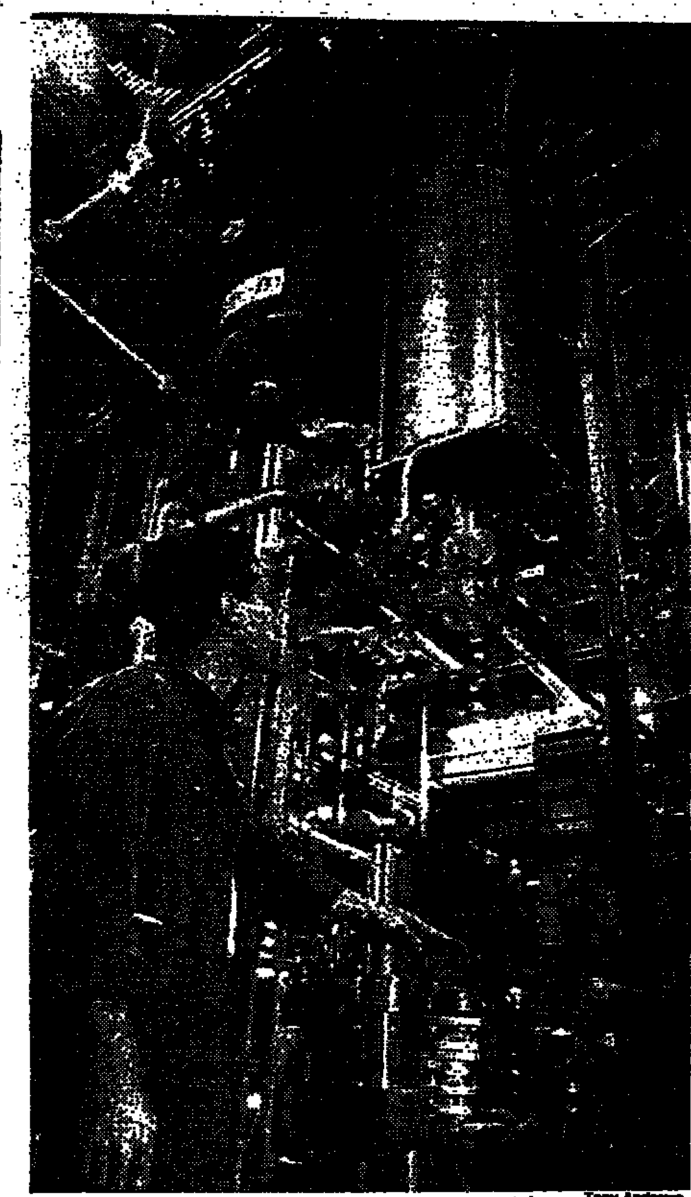
This does not mean bankers are in favour of all policies of the political powers-that-be. Their association has voiced strong objections, for example, to some of the proposals of the Federal Cartel Commission against the banks' so-called convention agreements on fees, brokerage and other charges.

Bankers are also highly critical of the move to extend the national price-control system to interest rates. At the same time, they are smarting from public anger at recent rises in mortgage rates, which they claim resulted from the government's monetary policy and not from their own attempts to widen their – narrow – interest margins.

"The operating environment for the banking sector looks less encouraging for 1990," said Credit Suisse executive Mr.Ernst Schneider in Zurich in March. Most other money men are expressing similar misgivings.

For all that, the banks seem confident they can go on producing good to very good results in the future. With a current yield of more than 3.7 per cent and a price 10 per cent below the January high, bank shares can be considered something of a snip.

John Wicks



Ciba-Geigy's chemical factory in Basle — Tony Andrews

John Wicks looks at one of the world's most highly industrialised countries

Grasping the opportunity to invest abroad

IN SPITE of its modest size, Switzerland is one of the world's most highly industrialised countries. In export terms, Swiss manufacturers are among the leaders in a range of products from watches and pharmaceuticals to looms and machine tools.

The stress is firmly on added value – ton for ton, the price of exports is more than five times that of imports. Industrial output has been rising steadily for the past seven years, its value increasing faster than its volume. This has been due primarily to heavy demand on foreign markets, exports making up almost one third of gross national product.

At the same time, prosperous Switzerland is its own best customer, with consumption far in excess of its 6.7m population. Industrial production went up by some 2 per cent last year. This follows a rise of as much as 7 per cent in 1988 and a series of earlier annual increases going back to 1984.

Credit Suisse reports that 1990 began "in full swing", thanks both to good business conditions in Europe and the favourable level of the Swiss franc. The overall view is that this year and next will see something of a slowdown in growth, for manufacturing in general and for the economy as a whole. The government expects industrial output to grow by a further 3 per cent in 1990, while most other sources feel it may stay at around 2 per cent this year and show a slight fall 1991.

The overall view is that this year and next will see a slowdown in growth

It is perhaps rather surprising that there can be any real-terms expansion at all. By the fourth quarter of last year, some 89.3 per cent of existing industrial capacity was already being put to use, and this rate has probably increased since.

A March report by the employers' association Vorort says that in many branches of manufacturing production is "increasing at the prevailing rate", while the volume of new orders remains high: in the fourth quarter of 1989, this was up 7 per cent on the corresponding period of the previous year,due mainly to higher export business.

The labour market is still virtually dried up, with an unemployment rate of only 0.6 per cent, whereby last year's 1.4 per cent growth in the industrial workforce was possible due only to the – politically sensitive – hiring of more foreign workers.

In fact, much of the increase in production value has come from a further raising of the level of industrial sophistication.

Over the past few years, most of the dead wood has already been excised from the economy, though restructuring programmes still continue – particularly in engineering. Switzerland also puts a great deal of money into research and development, the share of private enterprise in total expenditure being higher than in any other industrialised country.

As for new capital investment at home, opportunities are limited by the lack of space for new industrial sites and, once more, by the shortage of manpower. However, industry has recently been putting an increasing amount of money into new plant and equipment.

After adjustment for inflation, domestic investment in equipment is believed to have gone up some 5.5 per cent last year and is seen by most economists as rising by close to a further 4 per cent in 1990.

The BAK working party in Basle even expects average annual growth of 5 per cent over the period 1987/97. No national statistics really reflect developments within the companies themselves, though, – even among the smaller manufacturers – Switzerland is primarily a land of multinationals.

Few companies of any size sell the bulk of their production at home, while for many of them Switzerland is only one, albeit an important, manufacturing location.

This trend to global activities has become much more marked in the past few years.

The Swiss National Bank reports that industrial companies alone had direct investment abroad with a book value of no less than SFr45.6bn by the end of 1988. Production in foreign countries has long been growing faster than in Switzerland itself.

Few manufacturers of any size sell the bulk of their production at home

The same goes for research and development activities. According to Mr Wolfgang Marti, chairman of the Swiss Association of Machinery Manufacturers, latest figures show that Swiss companies' expenditure in this field has been rising by 2.5 per cent a year in Switzerland – but at a rate of 7 per cent abroad.

In spite of the various difficulties on the home front, top industries – among them watches, machine-building, metals, chemicals and textiles – have had a good year with generally increased profits. Union Bank of Switzerland says that as many as 83 per cent of all industrial firms involved in a recent survey expected higher turnover for 1990, more than a third of the total already reckoning with higher earnings, too.

These findings are being confirmed by the spring crop of annual reports. In fact, investors are showing little reaction to this heartening news. The Swiss Bank Corporation share index for industrials shows that prices are still 7.4 per cent below the high booked last August.

With a price-earnings ratio of just over 16 – compared with almost 25 before the Black Monday crash of 1987 – industrial equities may soon be attracting more interest.

CHEMICAL INDUSTRY

On the crest of a wave

THE Swiss chemical industry stayed on the crest of a wave in 1989, with turnover up by some 10.5 per cent over the previous year and what will prove to have been an all-time high in earnings. Exports, which account for more than nine-tenths of production, grew by 12.3 per cent for the year despite sluggish prices, keen international demand having been spurred by the weakening of the Swiss franc against key foreign currencies.

Taking into account the extensive foreign operations of the major companies, progress was even more impressive. The joint turnover of the Basle-based chemical and pharmaceutical groups – Ciba-Geigy, Sandoz, Roche and the chemicals division of Alusuisse-Lonza – went up by about 20 per cent to some SFr45bn, with an even faster growth in profits. Indications are that most of the country's many small- and medium-sized chemical companies also fared well.

Indications are that most of the small- and medium-sized companies also fared well

It appears that all main product groups showed at least some increase in overall sales and earnings for the year. For the industry as a whole, actual output was higher by 7 per cent in the third quarter – the latest period for which results are known – than in the corresponding period of 1986.

The industry is far from resting on its laurels, however. Like all branches of the Swiss economy, it is faced by almost full capacity use, a marked scarcity of personnel and a virtual inability to build greenfield plants on home soil.

Companies are thus having to spend large and increasing amounts on capital investments and research to add even more value to the production programme in Switzerland itself – this at the same time as constant efforts to expand foreign production and research and development facilities.

The past year has seen a flurry of measures on the part of the leading companies to adapt to changing conditions. On the one side, these have taken the form of strategic acquisitions, such as Ciba-Geigy's purchase of Toledo Scale or the more recent deal in which Roche acquired control of the similarly American bio-technology firm Genentech.

At the same time, a number of operations no longer fitting into corporate strategies were sloughed off: Ciba-Geigy last year sold the Ilford photographic division and the electronic-systems subsidiaries Spectra-Physics and Gretag, while Roche finally disposed of Kontron Instruments and Kontron Electronics.

Generally speaking, Swiss chemical companies are today aiming to extend their core businesses – not least by smaller, "rounding-off" acquisitions – and divest fringe operations. On the other side, the leading firms have been making important changes to their corporate and management identities.

The most far-reaching of these took place last summer when the former F. Hoffmann-La Roche carried out a thorough revision of its obsolete capital structure, simultaneously turning itself into Roche Holding.

Sandoz also became a holding entity, with the creation of Sandoz International as a management unit for six sectoral subsidiaries, and that of Sandoz Technology with group-wide responsibility for the fields of ecology and safety, industrial technology, patents and trade marks and "informatics" (data processing).

For its part, Ciba-Geigy now proposes to become the first Swiss chemical company to open its stock ledger to foreign holders of registered shares, as well as scrapping its (non-voting) participation certificates.

Initial indications are that the industry has got off to a good start in 1990. All branches seem to be expecting further improvements in sales, profits and investments. Results, however, will probably fail to reach the same substantial growth rates as last year. One reason for this lies in the firming-up of the Swiss franc: last year, for example, Roche's group sales had risen 21 per cent despite an increase of "only" 12 per cent in terms of local currencies.

Other factors include an expected noticeable rise in feedstock and labour costs and the likelihood of only modest increases in sales prices. Indeed, the Swiss Society of Chemical Industries points out that the growth rate began falling off in the second half of last year. While turnover for the second quarter of 1989 was 15.2 per cent up in an annual comparison, fourth-quarter sales were higher by only 7.7 per cent than those for the corresponding period of 1988.

Pharmaceuticals remain by far the biggest single product group within the Swiss chemical industry, accounting – together with diagnostics and vitamins – for more than 40 per cent of sales.

Pharmaceuticals remain by far the biggest single product group within the chemical industry

In spite of moves on individual national markets (including that of Switzerland itself) to contain health-care costs, the "big three" companies all booked sales increases of 20 per cent or more for the past year and are optimistic as to their chances in 1990.

Elsewhere, plastics are seen by Union Bank of Switzerland as showing further progress this year after below-average growth in 1989, while the rate at which earnings rise in the important dyestuffs sector may well level out. As always, the fate of the agrochemicals industry will depend to a large extent on that of American farming as its major customer.

John Wicks

WATCHMAKING

Well-timed recovery

AN EXTRAORDINARY surge had given the Swiss watch industry 31 successive months of expansion by the end of January. The prospects are that 1990 will be another good year. But the industry has almost no scope to increase output. In the last quarter of 1989, capacities were employed by 95 per cent of the theoretical total.

So well has business gone, that even the medium-priced sector – which Japanese competition all but wrecked a few years ago – has looked quite healthy. That can be seen from the figures for last year's output of watches in steel cases: it rose to 3m from 2.4m in 1988.

Competition in this field has been especially tough, and there is some reason to think that the Japanese have had rather the worst of the argument. At any rate, SMH, which accounts for three-quarters of Swiss production of finished watches (and more, if you include movements) is expected to announce a steep increase in profits for 1989.

At the top end of the market, the Swiss watchmakers always have been supreme: their market share in this category is put at 85 per cent. These are watches cased in gold or other precious metals, often with extremely complicated works. Production, frequently by hand assembly, reached 475,500 pieces in 1989 as against 375,000 the year before. Their average price per piece last year amounted to almost SFr4,000, but it can run into hundreds of thousands for pieces that often are loaded with gem stones.

At the lower end of the market, where the battle of the past few years has been fought, the Swiss, and that to a great extent means SMH's celebrated Swatch, could no longer add to the astonishing progress of previous years. Production of watches in plastic cases fell marginally from 13.7m in 1988 to 13.6m. The main reason appears to have been that the two automated Swatch production lines were running flat out.

But the question has been put whether the Swatch might cease to be the dynamic power it has become. What will make the answer so important is the fact that the sheer volume of Swatch output provides all-important economies of scale in the production of certain components which it shares with more expensive watches from SMH and other makers.

So far, the Swatch has been kept bubbling by constant styling changes and by the addition of variants, such as the larger Pop Swatch. Mr Nicolas Hayek, head of SMH, has ideas going well beyond that sort of tactic. On his wrist, along with other SMH watches, he wears a chronograph Swatch, which is about to be launched. There is also going to be a mechanical Swatch mainly for sale in countries where batteries for quartz watches are scarce or unduly expensive. That is an odd complement to the phenomenon at the top, where wealthy clients often prefer the traditional works to the supposed banality of quartz.

In any case, Mr Hayek says, Swatch has become a brand name of immense potential. SMH, which extends into electronics beyond the making of watches, already produces a Swatch telephone. Stories have even appeared of a possible Swatch car, a battery-powered runabout. That vehicle, if it ever gets on to a production-line from the front page of illustrated weeklies, would be assembled by a partner concern. SMH would expect to provide much of the engineering as well as marketing flair.

Mr André Margot, president of the Swiss Watchmakers' Federation, is sanguine in his assessment of the outlook for his industry. He points out that high prestige manufacturers, such as Rolex, are either building or planning new capacities. They will help to avoid bottlenecks such as that in which the industry finds itself at present.

But he adds a gentle warning that outside influences can cause unexpected problems. A case in point – though a help rather than a blow – was the end of the war between Iran and Iraq. Mr Margot says that it explains a one-third jump of exports to Saudi Arabia in 1989. The Saudis bought more watches because of a general revival of confidence and because the financial burden of subsidising Iraq was reduced.

Mr Margot lists among the industry's strengths the fact that its export markets are well spread over different regions. Since no less than 95 per cent of Swiss production is exported (and more if you add sales to tourists), it is obviously desirable for export markets to be soundly structured. The importance of the issue is increased by the uncertainty surrounding the future of Swiss commercial relations with the EC.

Where the immense strength of the Swiss industry is concentrated can be gauged by the fact that of an estimated 600m watches and movements produced in the world last year, some 14 per cent or 80m were made in Switzerland. If you take not units but value, the Swiss share leaps to above 50 per cent. At the luxury level, the Swiss share is even higher.

The chief export markets are Europe with 36 per cent in 1989, all but 2 per cent to the Community; Asia with 41 per cent, including 7 per cent to Japan; the Americas with 18 per cent, of which 14 per cent goes to the US.

The largest national market is Hong Kong, which last year bought Swiss watchmakers' products for SFr1,043m. Hong Kong predominantly takes movements which are made into watches there or in Hong Kong-controlled businesses in China.

Asked whether these movements do not return on to world markets in cheap watches competing with the Swiss product, Mr Margot says that a portion goes to China, where the Swiss sell few watches, (but a modest regular annual contingent of components). And he adds that Hong Kong is a good place to fight it out with the Japanese. Last year there was a price-cutting war there involving movements; Mr Hayek says he ordered SMH to fight it out.

Asked whether money was lost, he gives the sibylline answer that SMH is making money. Some of the Japanese have been in the red.

W.L. Luetkens

Tony Andrews

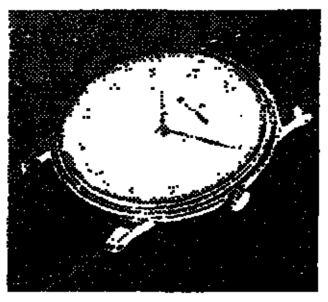
Above: Jean-Claude Biver: vowed that Blancpain will never make quartz watches. Right: 50 men and women put Blancpain watches together by hand

PROFILE: BLANCPAIN

Never-never strategy pays off

A BREEZY and successful Swiss entrepreneur stood up before a serious audience of 400 and told them that waves emanating from quartz watches might affect their love lives. He did not say whether the effect would be good or bad, and he did not expect everyone in his audience to be amused.

Mr Jean-Claude Biver, the man in question, was not merely pulling 400 pairs of legs. He was also mischievously making publicity for Blancpain, the luxury watchmaker, which he runs with a



50 per cent equity stake. Mr Biver says flatly that Blancpain will never make quartz watches.

By agreement with the other shareholder, Mr Jacques Piguet (not connected with the Audemars Piguet brand), Mr Biver has a casting vote in the company's affairs and is responsible for overall policy and marketing.

Though Blancpain is one of the oldest brands in watchmaking, it was no more than a name when the two men bought it in 1983

Mr Piguet, who is more interested in the technical side, also runs a family business making high-class watch movements.

Though Blancpain is one of the oldest brands in watchmaking, it was no more than a name when the two men bought it from a watchmaking corporation in 1983.

Mr Biver not only vowed never to make a quartz watch. There are other "nevers" in the proclaimed strategy. There never will be a Blancpain "collection" of watches of differing external appearances intended to fit in with fashion. Styling never changes as all Blancpains are round and look identical on the outside, but for three variables: large and small for men or women; varied thickness to accommodate the differing degrees of complexity of the works within; a choice of steel, gold or platinum. Some watches are available with transparent cases to reveal the complication of the works within. A few have diamonds around the glass, the rest are plain. The basic shape remains the same – also for the pocket watches that are to come on to the market soon.

Nor will the watches ever be made on an assembly line. Each one of the 5,800 pieces finished last year was assembled by one of the company's watchmakers. That is less than half the volume of some other luxury producers.

At present Blancpain has 50 men and women watchmakers working in three small ateliers, putting the watches together by hand from parts several of which are thinner than a human hair.

So far the "never" strategy has worked well: Blancpain sales have grown from SFr4m in 1984 to SFr21m in 1988, SFr30m in 1989 and a forecast SFr41m-42m this year. But skilled watchmakers are hard to find: only about 30 finish their training in Switzerland every year. That could make it difficult for Blancpain to fulfil Mr Biver's hope eventually to produce up to 10,000 pieces each year. He says that in spite of huge markups he cannot find the retailers to handle a greater number.

Blancpain's watchmakers work the hours they choose, magnifying glass clamped to forehead, with boxes of hand tools and parts at their sides. You might think they were engaged in silent meditation. Another touch of artisanship: there are no cleaners. The watchmakers are responsible for keeping their working area spotless. But the air of pure handicraft is deceptive: computers and lasers are used when suitable in production and design. A Swiss diplomat aptly summarised this marriage of traditional skills and high technology when he described Blancpain as a "retrospective innovator".

Why this insistence upon highly traditional watchmaking and almost plain outward appearance? Mr Biver says of himself that he likes the sheer ingenuity and skill that goes into a top class mechanical watch.

It appeals to Blancpain's clients too, but something else also counts: understatement. The Blancpain watch is a very expensive watch, which does not show the fact, and appeals to the not so nouveau riche. You can order one in Switzerland starting from SFr3,500. Or you can bid not far from SFr1m for the platinum version of a forthcoming limited series of Blancpains combining all the mechanical features of the basic six models:

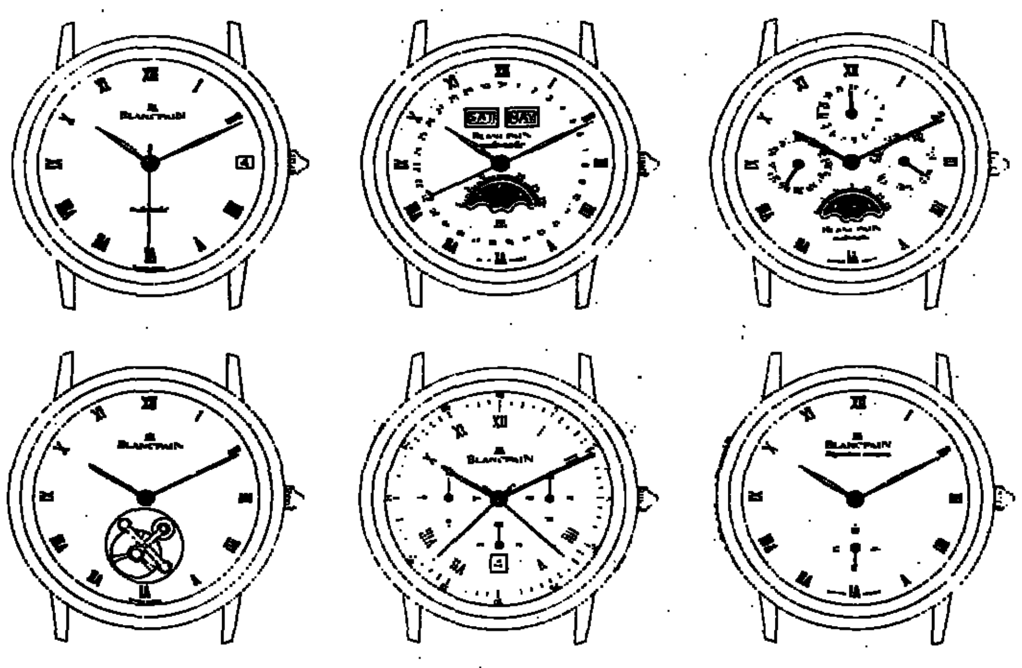
- Thin automatic mechanism;
- A chronograph with split second which allows you to take, for instance, the lap-time in a race and restart the hand to show full elapsed time, including the period while the hand was stopped;
- A perpetual calendar;
- A tourbillion device which eliminates the effect of the earth's gravity upon precise time keeping;

The watches will never be made on an assembly line. Each of the 5,800 made last year was assembled by the company's watchmakers

- A watch which displays the moon phases;
- A minute repeater which strikes the hours, quarters and minutes when you push a control. Making one repeater requires 690 hours' work, plus, say, 100 hours for research and development.

Blancpain undertakes never again to make this particular summary of the watchmaker's art once the series is sold. What will Mr Biver's grandsons think about that "never"? Mr Biver laughs: "They will think I was crazy."

W.L. Luetkens



Tony Andrews

The six classics of mechanical watchmakers

Trade deficit shows no sign of falling, says **W.L. Luetkens**

Competitive edge softening

THE TRADE deficit habitually run by Switzerland increased by nearly 20 per cent in 1989 and shows no sign of falling decisively this year. There was some grumbling in parliament, but economists and the authorities remained remarkably serene.

Dr Walter Brodmann, chief economist to the Federal Office for External Trade, said that "from the point of view of economic management, the trend is desirable". Dr Fritz Ebner, Secretary of the Central Office of the Chambers of Commerce and Industries Organisation, has much the same attitude.

There is an obvious explanation for this calm. Switzerland usually has a healthy surplus on services, including remitted profits and dividends. So there is no question of a balance of payments crisis, looming or actual. Dr Brodmann estimated that a trade deficit of SFr11bn last year caused the current surplus to sink below SFr10bn for the first time since 1983.

Such a reduction, he said, is normal at times of high economic activity. In the last quarter of 1989, Swiss industry was stretched to 89 per cent of its capacity and the largest exporter, the machine-building industry, was up to as much as 92 per cent. In such circumstances, imports – especially as increases were concentrated on raw materials, energy and components – serve as an anti-inflationary safety valve.

The figures are greatly influenced by a decline in the exchange rate of the Swiss franc which caused a worsening of the terms of trade. The nominal increase of exports was 12 per cent, that of imports 14 per cent. In volume, both exports and imports grew by roughly 5-6 per cent.

Yet Dr Brodmann had a warning for those who might conclude that everything in the garden was rosy. He spoke of a gradual erosion of Swiss comparative advantages in world markets.

Building land is scarce and expensive in this small country. There is a shortage of top quality specialists in the high-technology areas and a certain preference for cartels. Other exporting states are improving their competitive strengths.

Besides, Switzerland has for long had some of the highest labour costs in the world, which were partly compensated for by very low interest rates. Now the globalisation of financial markets has caused interest rates to creep up towards international levels.

Many industrialists might add that the public export credit-risk guarantee system is modest by international standards. It only insures political risks and not those arising from financial difficulties of the client or exchange rate risks.

Reduced competitive strength would badly hurt a country so dependent upon export business. Since a sharp recession in the mid-1970s, the Swiss have increased their visible exports from 26 per cent of gross domestic product to almost 40 per cent. That is a very high proportion (although in Belgium and the Netherlands it is even higher).

Exports are heavily skewed towards capital goods which have profited from the current European investment surge. They are also largely directed towards the European Community, which took in more than half of last year's exports.

Under such circumstances, it is obvious that Switzerland will watch anxiously negotiations on its future relations with the EC and those for the further liberalisation of world *trade in the General Agreement* on Tariffs and Trade.

Like most others who do not belong to the leading trading powers (North America, Japan and the European Community), the Swiss are afraid that the minor powers will go to the wall unless the Gatt principle of multilateral rather than bilateral arrangements and of most-favoured-nation status for all is further strengthened.

Ambassador David de Pury, who handles the Uruguay Round Gatt negotiations for Switzerland, said that a success in Gatt would make it more difficult for the big blocks to become protectionist. The Swiss would consider that an advantage whether or not they gained closer economic ties with the European Community in the proposed "European Economic Space" (EES). They dislike the idea of a "Fortress Europe," regardless of whether they might have to batter at its gates from outside or defend it from within.

Switzerland particularly objects to protectionist methods applied selectively against particular exporting countries. The fashionable agreements for voluntary restraint, such as those imposed on Japanese car exporters, are an example. Mr De Pury said that sort of thing amounted to "legalised sin". A country wishing to restrict imports would be much less likely to do so if it had to extend that restriction to imports from all countries.

Improved international protection for intellectual property is high on the list of Swiss – *as of American – objectives* in the Uruguay Round. One need think only of the watch industry, Switzerland's largest exporter next to the machine-building and chemical industries, which has suffered greatly from unauthorised copying of its designs and pirating of its brand names. The chemical and pharmaceutical industries also very much depend on the value of their patents.

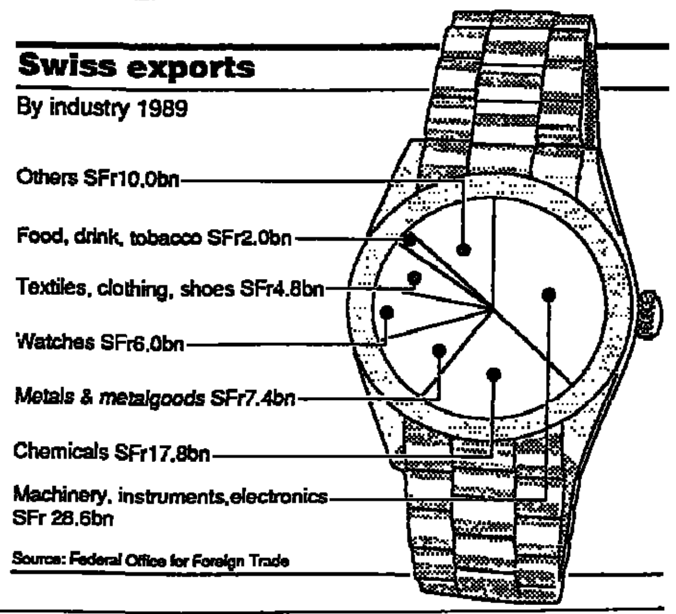
On agriculture, Switzerland parts company with the US. The Americans have proposed *the abolition of all farming* subsidies. This is a political impossibility for Berne.

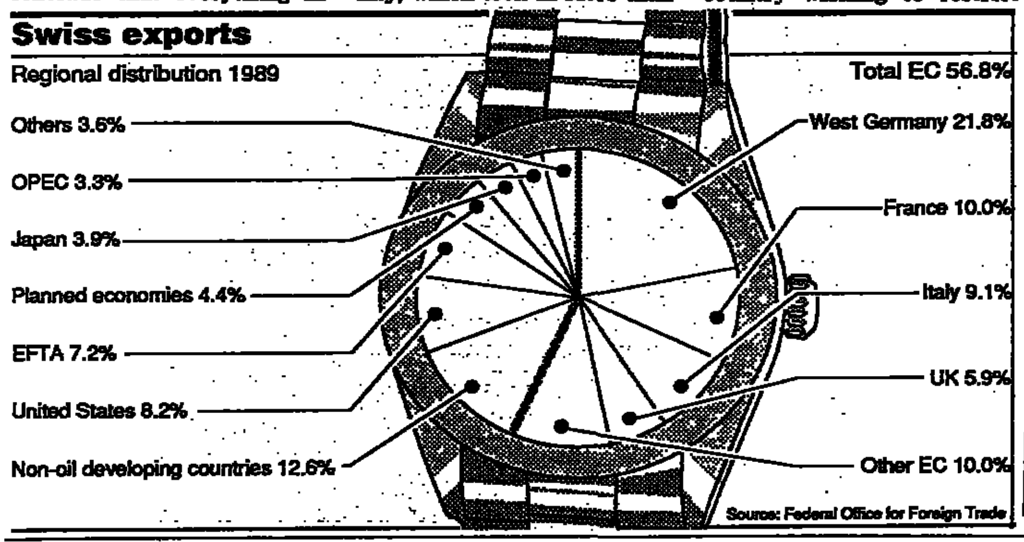
Swiss farmers and peasants receive some of the highest subsidies in the world. They also have immense political influence. Any grave inroads made into the system of subsidy would certainly be challenged by referendum, and probably successfully, because referendums favour the farming regions.

Mr De Pury said that ideas to reform the system are being worked on. The purpose would be to switch from subsidy of farm output to payments, for instance, for the farmers' services to the environment by adopting ecologically desirable farming methods, or services to the community.

The latter is not as far-fetched as it sounds: if the summer pasture *lands high up* in the mountains were ever to be abandoned, the danger of avalanches and of landslips would be greatly increased.

The European Community has similar ideas. The question is whether the US, in its turn, will regard them as legalised sin.





William Dullforce discusses relations with the EC

Confederation faces greatest challenge

SWITZERLAND'S future relationship with the European Community poses the greatest challenge the Confederation has faced since the Second World War. Many Swiss businessmen and more and more politicians are coming round to that point of view, even though for most ordinary Swiss the issue is still swathed in fog.

The challenge is complex. It is evident that, in return for the freest possible access to the EC single market in 1993, Switzerland has to "pay" in terms of foregoing some measure of independent decision-making and of changing some long-standing commercial, banking and labour practices.

But a payment deemed acceptable by the 12 EC member states and by the five other members of the European Free Trade Association – Austria, Finland, Iceland, Norway and Sweden – could still pose an insuperable challenge for a confederation of 26 nominally independent cantons and half cantons held together in a jealously-guarded federal structure by a system of direct democracy and a doctrine of neutrality.

Any agreement on a European Economic Space (EES), the label for the more integrated relationship that the EC and the European Free Trade Association (Efta) are due to start negotiating in June, will have to be approved not just by the Swiss federal parliament but by the people and the cantons in a national referendum. Only three years ago the Swiss voted by a ratio of more than three to one against joining the United Nations; not one of the cantons or half cantons voted in favour.


Tony Andrews

Delamuraz: final attitude depends on "quotient of pain"

The Swiss had voted to safeguard their neutrality and national sovereignty, a leading opponent of UN membership said. The vote had been a victory of heart over mind, of emotion over reason, was how an advocate of membership saw it.

Probably, the Swiss can be counted on to take a more pragmatic attitude when essential economic interests are at stake. But a popular vote on a tighter relationship with the EC – depending, of course, on the nature of the package agreed by Efta – could prove to be extremely divisive.

Even before its shape is known, the EES has evoked three sharply different attitudes among the Swiss – those, like the employers' federation, who see it as the only means of maintaining both Swiss unity and economic competitivity; those who already affirm its incompatibility with Swiss sovereignty; and those who believe that Switzerland should follow Austria's example and apply for full EC membership.

Mr Jean-Pascal Delamuraz, the Economy Minister in the vanguard of the talks, has been urging people to hold judgement until they see the result. But he, too, said in a recent interview that Switzerland's final attitude would depend on "the quotient of pain" in an EES agreement. The government has given assurances that no agreement would be struck at the price of Switzerland's neutrality, federalism and direct democracy.

With typical pragmatism the Swiss initially wanted to negotiate with Brussels both through Efta and on their own. That approach was balked when Mr Jacques Delors, president of the EC Commission, told the Efta countries in January last year to negotiate as a bloc and offered to find some form of joint decision-making.

Together with their partners the Swiss have agreed that the EES will embrace the four freedoms of the EC single market, covering the movement of goods, services, capital and persons. But the Efta countries will ask for exceptions "justified by considerations of fundamental interests" and transitional arrangements which, it is already understood, will include agriculture and fishing rights.

A key exception for Switzerland concerns the free circulation of labour. With 1m foreigners in a 6.6m population the Swiss are not willing to drop immigration controls and abandon their policy of "stabilising" the proportion of outsiders to natives, although they say they are willing to agree on a reciprocal basis on "qualitative" improvements to their regulations.

Property investment is a sensitive matter. Almost half of Swiss companies' investment abroad is within the EC but a Swiss law, designed partly to stop outsiders erecting holiday homes all over the Alps, restricts foreign direct investment in real estate and establishes an obstacle to foreign takeovers of Swiss companies.

If the impingement of an eventual EC-Efta co-decision mechanism on Swiss sovereignty and democratic rights does not prove to be the make-or-break issue, then it could be road transport and Switzerland's role as a transit route between the northern and southern parts of the Community.

Berne is offering a SFr10bn project to build a new north-south rail route through the Alps to carry heavy lorries on railway wagons. But the mountain cantons refuse to drop the confederation's 28-tonne limit and accede to the Community's demand that EC 40-tonners be allowed to use Swiss motorways.

Yet the Swiss cannot afford to be too intransigent. The Community takes 57 per cent of their exports of goods; almost three-quarters of the premiums of their insurance companies are culled within the EC.

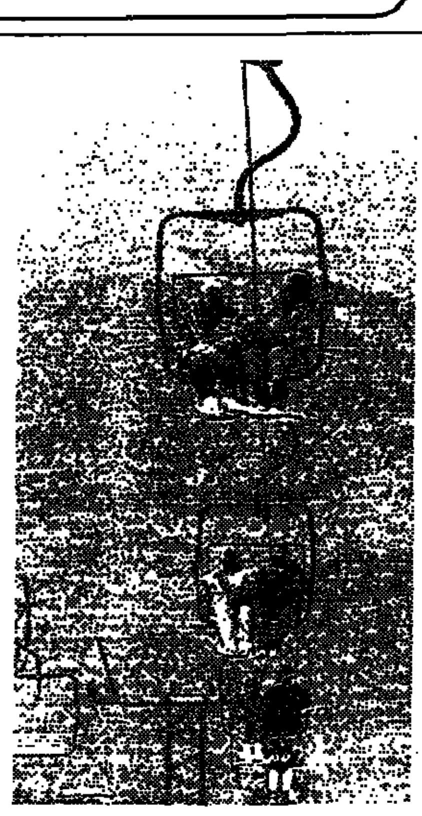
Their negotiators have plenty of scope for exercising in the EC-Efta talks that gift for compromise which is another essential ingredient of Switzerland's federal structure.

Alpine regions back in fashion: there are moves to encourage tourism "not geared to lifts and cable cars"

Tony Andrews

W.L.Luetkens investigates the tourist industry

Green wave washes Alps



THE GREEN wave is washing around the Swiss and other alpine tourist industries, an extremely important source of income for mountain folk.

The publicity of the Swiss National Tourist Office (SNT) is this year concentrated on lakes and rivers as the "jewels of Switzerland". It makes play of the claim that Switzerland has radically cleaned up its waters. A very different organisation, the Bellerive Foundation, founded by Prince Sadruddin Aga Khan, has raised the alarm that much more needs to be done to prevent an ecological catastrophe in the Alps, to which tourism, unless tamed, would contribute.

How circumspectly this matter needs to be handled can be deduced from a few facts about the role of the tourist industry in Swiss life. It provides some 6 per cent of gross domestic product and gives work to about 7 per cent of those gainfully employed in the country. Last year it contributed gross income of about SFr11.5bn to the balance of payments, or SFr1.8bn if you deduct what the Swiss themselves spent on foreign travel. The importance of the tourist trade for mountainous regions far transcends that for the economy at large. In these regions, it is the only significant alternative to agriculture, and without tourists would rapidly become depopulated.

With the development of even more destinations for mass tourism, Switzerland has inevitably lost market share. The opening up of eastern Europe may add to that effect. But within the limited scope of a small country, the Swiss industry has been holding its own. Dr Helmut Klee, deputy head of the Swiss National Tourist Office (SNT), forecast that the provisional figure of 77.2m overnight stays in paid accommodation last year – including 36.5 by foreigners – underestimates the real result. If so, it would be second only to the record year of 1980. Poor snow conditions at the beginning of this year have probably dashed hopes of another 3 per cent increase to break that record.

Dr Klee detects a return to fashion of the alpine regions. Some southern European destinations have suffered bad publicity because of pollution and other drawbacks. Interest seems to have revived in holidays other than beach *dolce far niente*.

The Swiss industry is only moderately well placed to take advantage of this trend. It lacks scope for greatly increasing capacity. On the contrary, for environmental reasons, no important new skiing region has been developed in the past 10 years. The capacity of those existing has been increased, but is narrowly limited.

Labour is hard to find. The more menial jobs are usually done by migrant labour, and immigration controls are tight. As soon as they can, many of the foreigners drift off into higher paid jobs in industry. Since the better workers are most likely to leave, productivity has suffered.

By Swiss standards high mortgage rates have added to the difficulties. Many hoteliers have closed their businesses in recent years, though the number of beds available has remained roughly stable. Some worry has been caused by allegations that both hotel staff and the population at large are becoming less friendly towards the visiting foreigner. Dr Peter Keller, who holds the brief for tourism in the Federal Office for Industry and Labour, admits that the old-style hospitality of alpine culture has faded under the influence of urbanisation and industrialisation.

Criticism on this score has been sufficiently worrying for the SNT to take sample polls. Roughly half those questioned thought that the reception they had received by personnel and people had been very good. Much the same proportion said that prices were rather high or very high. Switzerland has been expensive since before the war, yet in 1988, 8 per cent of all hotel rooms cost less than SFr30 a night, and another 30 per cent from SFr30 – SFr50.

There seems to have been a revival of interest in holidays other than beach *dolce far niente*

Among Swiss assets, the SNT lists what must be one of the world's most efficient public transport systems, the opportunity for leisurely holidays, but also museums, picturesque towns and the like. To take advantage of the cleaned up waters, a Boat Pass will be sold for SFr30, giving the holder half-price travel on scheduled services on the main lakes and rivers.

On the negative side, the SNT lists the high visibility of drug abuse in certain corners of the big cities, which could undermine the generally held picture of Switzerland as a safe country. The SNT also refers to excess development of tourist facilities in certain places – an area where Dr Klee admits sins have been committed.

That is where the Bellerive Foundation comes in. Though its Alp Action is more generalised, it does specifically address the tourist industry. Prince Sadruddin, who has had a distinguished career in the United Nations, says that he wants to encourage "soft" tourism, "not geared to the proliferation of lifts, cable cars and car parks", and to "bringing the cities to the mountains". There should be more respect for nature, more hiking and more cross-country skiing. Perhaps the tourists should be spread out more thinly.

He said the Foundation is a letter box or intermediary between business and those concerned about the Alps. It is looking for sponsors to finance a number of projects in several alpine countries. For an estimated SFr49,150 a corporation could sponsor a plastic card to be issued to tourists, entitling them to discounts on selected transport and in sports facilities. It would carry the logos of the sponsor and of Alp Action, as well as Golden Rules, including the following: use public transport; travel off-season; walk and bike; keep to path and piste; respect wildlife; remove all rubbish; put out the fire.

For a budget of SFr39,675, a sponsor could take on a project to help prevent the extinction of the Edelweiss flower. To support its case, the Foundation cites studies suggesting that more than half the trees in the Alps are sick from pollution.

Not everyone in the tourist industry will cheer these environmental objectives. But Dr Klee of the SNT says that intact nature is an important selling point. The environment should be handled so that it remains intact 100 years hence.

Machinery manufacturers are working flat out

Engineering industry breaks all records

THE SWISS ENGINEERING industry continues to break all records. Last year, machine exports rose by almost 10 per cent to reach a high of SFr24.3bn, and domestic sales brought this figure up to well over the SFr30bn mark.

With few exceptions, the country's machine manufacturers are expecting – several have already announced – a further rise in profits for the year.

The increase shows no sign of ending. The Swiss Association of Machinery Manufacturers (VSM) said that new orders went up by 12.3 per cent in 1989 for 200 reporting companies.

This included a 16.6 per cent jump in export orders to SFr15.1bn and an increase of 5.6 per cent in those placed by Swiss customers to some SFr8.5bn. The same 200 firms booked an average value of SFr16.6bn for the year, compared with sales of SFr21.8bn.

These figures mean that producers are working flat out. The Federal Bureau of Industry, Crafts and Labour in Berne said that by the final quarter of last year, the "machinery and apparatus" sector was running at a rate of 91.8 per cent of capacity. VSM estimated average backlogs for the year of 7.4 months' output.

It is hard to say just what effect this will have on delivery dates, as production time has tended to fall since the automation and refinement of the manufacturing process. Nevertheless, the industry seems close to its limits.

According to a recent statement by Dr Walter Brodmann, of the Federal Office for Foreign Trade, an even slower growth rate this year will most likely mean that, at least in some fields, supply will be unable to keep up with demand.

Another limitation to further expansion at home is the chronic shortage of manpower. The labour force in the Swiss machine-building industry, which has expanded by little more than 2 per cent since the mid-1980s, is barely enough to handle growing production.

Indeed, there are indications that many manufacturers are unable to accept some of the orders.

The official number of situations vacant registered with labour exchanges – itself well below the actual requirements – is almost three times that of unemployed persons.

These factors are becoming increasingly important as the call for Swiss machinery on the world market continues to grow. As a result, engineering firms are investing substantial sums in their domestic capacities – particularly in modernising and upgrading existing installations – and are looking intensively at chances to expand abroad.

While no reports are available yet for the current year, the industry is optimistic. Production appears to have risen further during the first quarter and a Union Bank of Switzerland (UBS) survey commented that manufacturers were in the main expecting another good year.

The labour force in the industry is barely enough to handle growing production

However, it seems that the growth rate will be lower than in 1989. Most of the industrialised countries, which account for the lion's share of Swiss machinery exports, and Switzerland itself are expecting something of a slowdown in economic growth.

At the same time, the Swiss are unlikely to benefit to the same extent from the exchange rate as last year, when the trade-weighted Swiss franc dropped 5.2 per cent interms of the currencies of major markets.

In the meantime, the country's traditionally low inflation rate has gone up to over 5 per cent – its highest level in eight years.

VSM warned that long-term prospects for the engineering sector will depend largely on Switzerland's success in profiting from the creation of the European economic space.

For reasons of domestic policy, the Swiss are unable to join the Community, though it accounts for over half its total machinery exports, with an additional 8 per cent going to EFTA partners.

Therefore, apart from direct investments and joint ventures within the EC, companies are looking at ways to increase Swiss exports there.

One example, is a project to form some kind of joint-holding for a number of Swiss machine-tool producers, aimed at pooling resources in marketing, research and sales.

In the important American market, the US authorities appear to have given up former attempts to make such leading machine-tool exporters as Switzerland adhere to a "voluntary" quota system, a move which the government in Berne had rejected. Interest is now centred on Washington's policy towards the Cocom agreement governing exports of high-technology products to eastern Europe.

Switzerland is not a signatory of the agreement but has the same requirements to obviate its becoming a loophole for such shipments. An easing of the system would facilitate Swiss deliveries not only to socialist – or formerly socialist – countries but also to Cocom members in the west.

Swiss engineering companies have traditionally done well from offset agreements in purchases of defence hardware, specifically aircraft from the United States.

Some of these potential sales may now fall to take place as the Swiss government is considering cutting an important order for F-18 "Tiger" jets from the US.

Whatever the case, the majority of product groups within the industry is said by UBS to be "very confident" as to their chances in 1990. The bank believes, however, that profitability will not be noticeably up on the 1989 level. A marked rise in earnings is expected only by the electronics and electrical-engineering sector and precision-tool producers.

Last year, UBS showed a rise in both turnover and profit for every main product group.

John Wicks